ucts because of large wartime savings, removal of most wartime restrictions, prospective tax reductions, and a high level of exports and foreign relief shipments. Farm prices in 1946 may be slightly below the record 1945 levels, but they are expected to assure farmers a net income double the 1935–39 average and higher than any year prior to 1943. Farmers generally are emerging from the war with an agricultural plant in much better condition than after World War I. Many will resume long-term soil building practices and ease up on the intensive cropping of some of their land, necessitated by war demands.

With the farm mortgage debt the smallest in 30 years and savings the largest in history, farmers generally will enter 1946 in better financial condition than ever before. After years of wartime restrictions, they can look forward to obtaining many things they need and want for their farms and homes. While most farm machinery and supplies are expected to be available in large volume, probably exceeding any year in history, the supply of a great many manufactured goods will not begin to meet all demands before the end of 1946 or well into 1947. Thus with the supply far short of demand, the threat of a serious inflation will not have passed by next year. If farmers and urban people should bid against each other for the scarce goods and shoot prices skyward, there would be disastrous results, especially for farmers.

What the outlook is for industry, for farm prices and income, for the various farm commodities, for the pattern of production, for farm equipment, and for farm family living—as it appeared in mid-October—is outlined in the following summaries, based largely on materials prepared for the Twenty-Third Annual Outlook Conference to be held in Washington.

HOWARD R. TOLLEY, *Chief*
Bureau of Agricultural Economics

Where We Are Now

ON VJ-DAY the total output of goods and services in the United States was running at a rate just under $200,000,000,000 per year. The bulk of this output was privately produced, but it also included the payments by Government to its civilian and military employees for their services. The most striking aspects of this total are its size, the fact that at VJ-day almost 40 percent of it—$78,000,000,000—was still being purchased by the Federal Government for war; and the fact that in spite of our continuing huge war effort, consumers were getting more than half of the total—$101,000,000,000 of it. Other Government expenditures of $14,000,000,000 (less than the prewar total) brought the share purchased by Government above 45 percent of the total. Business purchases of plant and equipment, plus some housing construction, accounted for the remaining $7,000,000,000.

Civilian employment—not including the purely seasonal summer upswing which will be balanced by the seasonal winter downswing—was 51 million. More than 12 million men and women were in the armed forces, and less than one million were unemployed. The total of the three groups—the total labor force—was 64,100,000.

Where are we now?[1]

Output, Income Down a Fifth

The Nation is experiencing the most rapid curtailment of markets in history, that is, the tremendous Government buying is being reduced much more than consumer markets are being expanded. Munitions production was about $43,000,000,000 (annual rate) at VJ-day. By December, $35,000,000,000 of that output will have come to an abrupt halt, because orders for it have been canceled. Other war expenditures are also declining. As a result, the Nation's total output is falling sharply, and with it the income of American consumers. By early next year, output will probably have fallen by one-fifth, and income by almost one-fifth, from the mid-1945 level.

The country is entering a period during which a torrent of workers will surge onto the civilian labor market from the armed forces. By November net demobilization exceeded 1 million per month. Between VJ-day and the end of June 1946 the armed forces, pressed by Congress and by public demand to rush demobilization, will pour more than 9 million men and women into the civilian labor force. During the same period the munitions industries will release between 6 and 7 million workers, and related industries several million more.

Unemployment is increasing. In early August (before VJ-day), the number seeking work was 830,000, according to the Census Bureau's monthly report on the labor force; during the first week in September it was 1,700,000. This figure is lower than many persons, including the writer, had expected. It is still too early to be sure whether this small unemployment 3 weeks after VJ-day indicates a faster absorption of munitions workers in other work than had been expected, or whether the process of growing unemployment during the transition period is merely taking place a little later than had been expected. The figure excludes persons on strike, on vacation, or only temporarily laid off, but, with due allowance for these qualifications, the reported unemployment figure is a highly encouraging one.

Not all of the persons freed from the armed forces or from war work will seek other jobs. Before VJ-day between 500,000 and 1,000,000 emergency war workers had left the labor force; several million more will probably do so. Some workers will shift from war work to other work without changing jobs or losing a day's pay; by early September 1,500,000 had apparently done so in manufacturing. But unemployment will increase; it can hardly fail to reach 6 million before the end of the winter, and may touch 8 million. Fifteen to twenty million workers—one-fourth to one-third of the working force—may lose one job, and have to seek another. The fact that output will remain high by any prewar standard must not blind people to the maladjustments and economic distress during the period the country is now entering.

Nearly All Controls Lifted

Wartime controls have been rapidly lifted. Following VJ-day, manpower controls disappeared overnight, as did rationing of gasoline, processed foods, and certain other commodities. Almost all production controls have been lifted other than (*a*) inventory controls intended to prevent hoarding of scarce materials; (*b*) controls over the use of tin, rubber, paper, lead, and a limited number of other scarce materials; (*c*) sufficient control over tex-

[1] This analysis was made in mid-October, 9 weeks after VJ-Day.—EDITOR.

tile production to encourage the production of lower-price garments; (*d*) controls to limit exports of United States manufactures in scarce supply, controls over imports of key materials in scarce supply such as tin and rubber, and priorities for certain exports to insure that foreign countries can buy minimum amounts of items badly needed for the reconstruction of the shattered economies; (*e*) a minimum amount of priorities assistance to aid in breaking bottlenecks holding up reconversion. Many rationing controls have been ended, and some price controls have been lifted, but the rationing of sugar, meats, fats, and oils, and price controls over the bulk of consumer goods and over rents must continue until supplies can be increased. Continued wage controls are a necessary accompaniment of price controls.

So rapidly were controls ended that the last remaining ones covering construction were terminated effective October 15, even though the supply of many construction materials is still acutely tight. Supply of these materials must be sharply and speedily increased, or a mad scramble will occur in the spring.

After VJ-day, industrial disputes rose sharply. The causes are complex. Prominent among them is a sharp reduction in the income of wage earners, in many cases to a level whose purchasing power is less than that of the income in 1940 or 1941. It is too early to evaluate the effect of the strikes on reconversion; no evaluation will be attempted here.

Reconversion Well Under Way

But plant reconversion is well under way. Few data concerning peace production in converted war plants are yet available; but hundreds of individual reports testify to the speed of the change-over.

Yet most goods are still scarce. Hence most price controls are still in effect. Some of the scarcities will be relieved soon. Clothing, for example, should become available in ample supply sometime during the first quarter of 1946; certain clothing items will be readily obtainable sooner. But most types of metal-using consumer durable goods—automobiles, washing machines, many electrical appliances—will for a longer time appear in stores or salesrooms in too few numbers to satisfy demand.

In many areas, housing will continue to be critically scarce. The population has increased; marriages are on the upswing; members of the armed forces are returning to civilian life; and during the war housing construction has been limited to essential war housing, because of shortages of materials.

Price Controls Still Needed

Price ceilings upon consumer durable goods will be continued so long as the goods are seriously scarce (or until Congress terminates price-control authority), and controls over house rents will be continued in areas where housing is tight. New construction in 1946 cannot increase the supply sufficiently to meet the demand. Unless checks are applied, 1946 may witness a runaway boom in housing prices in many communities. Available credit controls may not be sufficient; the boom may develop unless Congress grants authority to control the sales price of houses.

The end of the war period found the people with an increase in holdings of cash, bank deposits, and Government bonds, since December 31, 1940, of more than $140,000,000,000—bringing the total held by the businesses and individuals of the country to about $215,000,000,000. Of these savings, $72,000,000,000 are held by corporations and owners of unincorporated businesses for business use, while $143,000,000,000 are held by consumers.

A good deal of nonsense has been written about this $143,000,000,000 of cash, deposits, and Government bonds held by consumers. It has been said that the spending coming from these savings will assure perpetual prosper-

ity. It has been held that a large part of them will be spent at once, bringing so great demand for every conceivable kind of goods and services as inevitably to cause inflation.

Certainly these savings will increase consumer expenditures, but the amount of the probable increase can be easily exaggerated. American consumers before the war (at the end of 1940) held idle $51,000,000,000 of such assets, just as the normal amount of ready savings to have on hand. At higher prices and higher dollar incomes, it is normal to hold more. Little is known about the distribution of these savings between families, but three local surveys, if they are typical of the country, indicate that about one in six families have no savings at all, and that the persons who hold them in large amounts are the same persons who before the war were savers—older persons, wealthier persons, persons with families, persons saving for a specific purpose—not persons who will squander their holdings. It is a fair conclusion that these savings are not going to be spent hastily in such quantities to cause wild inflation, and that they are not going to provide the country with enough expenditures to tide it painlessly over the period of reconversion. However, they will cause consumer expenditures to be a little greater than would otherwise be the case.

If an inflationary spiral should get under way by ending price controls too soon, the presence of these savings would be a source of danger. People might rush to spend their savings before prices rose further, and this spending might cause prices to soar to disastrous heights. This consideration underlines the necessity of continuing price control so long as goods are in scarce supply.

In summary, the Nation is entering a period bound to be subject to the economic strains and stresses of great change. Deferred demand for many things in short supply (notably housing as well as automobiles, washing machines, refrigerators, sewing machines and similar manufactured goods) makes continuation of price control important. At the same time much unemployment may appear. During this unusual period steps must be taken at once to combat inflation in some sectors, and deflation in other sectors. The very real presence of the first danger does not diminish the importance of the second.

EVERETT E. HAGEN, *Office of War Mobilization and Reconversion*

Industrial and Business Outlook

DURING the coming year of transition from war to peace, the outlook is for a heavy demand for peacetime goods and services at a time when supplies are still restricted. Total production and income will be below the high wartime levels because of the sharp reductions in expenditures for war purposes. Production of civilian goods needs to be increased as rapidly as possible to build up inventories and to supply current and deferred demands, both domestic and foreign. The buying power for making these demands effective already exists or can be readily obtained. And in the meantime, the pressure of demand on the limited supplies will result in rising or firm prices. Speculative buying movements may develop in commodities, real estate and securities.

Broad approximations of the magnitude of general economic developments in the past and of probable de-

velopments during the coming year are indicated in the accompanying chart. The decreases shown on the chart for the late months of 1945 are probably sharper than those which are actually occurring, and the levels actually reached in 1946 are more likely to be above than below those indicated on the chart. At these levels of output, civilian employment will remain close to present levels, but around 6 or 8 million workers will be unemployed during 1946.

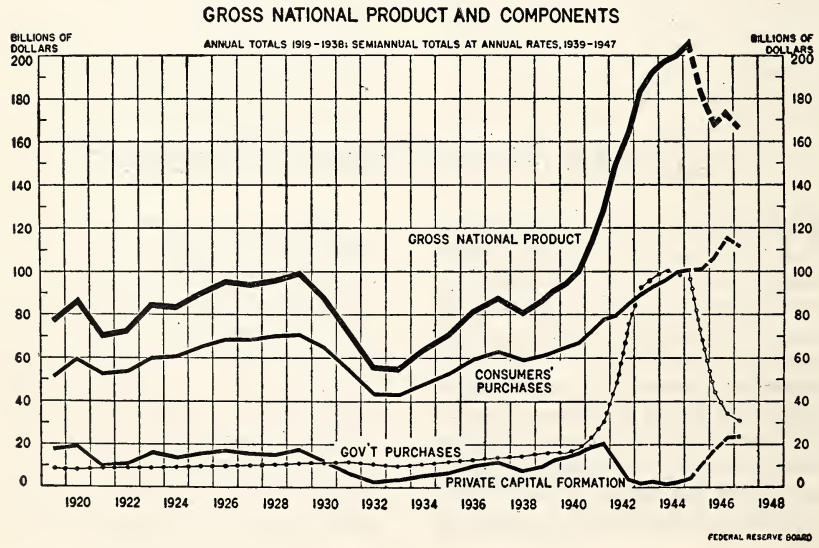
From an annual rate of over 100 billion dollars during the peak of the war period, accounting for half of the country's product, Federal Government expenditures for all purposes have declined sharply to an annual rate of about 70 billion in the last quarter of 1945 and are expected to decline to a rate of around 30 billion dollars by the end of 1946 or early 1947.

Business expenditures for plant and equipment and to rebuild inventories of civilian goods may be expected to increase for some months about as fast as available supplies permit. The large demand for housing will stimulate construction activity to the limits of capacity, unless speculative price advances and scramble for the limited supply of materials available hold it back.

Foreign demands for American goods will continue to be heavy during the coming year. Purchases by foreigners financed from their available dollar resources and from credits received in this country may offset to a considerable extent the decline in lend-lease shipments. Exports at an annual rate of 10 billion dollars or more sometime during the next year are not out of the question. While imports are likely to increase some, there will be a substantial net export balance.

Consumer purchases of durable goods, which have been at an exceedingly low level during the war, will expand as rapidly as the new goods become available. Civilian expenditures on services, also limited during the war by manpower scarcity, will increase.

Consumer purchases of nondurable goods have been at a high rate during the war but prices have risen considerably and quantities have been restricted. It is likely that purchases will continue large and they may increase, as additional supplies become available. Purchases will be stimulated by the accumulated deferred de-



mands for many of the scarce goods in this category, such as clothing and tires, and by the shift of many consumers from the armed forces to civilian life. Since early September the value of retail sales of nondurable goods has been about 10 percent above last year's high level.

Total income of individuals has already been reduced a little, because the sharp reduction in Government expenditures has not been fully offset by increases in other sources of incomes. The amount of income available for spending and saving in 1946, after meeting somewhat reduced taxes, is likely to be 10 to 15 billion dollars less than in 1945. Under the circumstances, this decline of less than 10 percent is not large. Because wartime savings have exceeded 40 billion dollars a year, consumers can maintain or increase their purchases, notwithstanding the decline in income, by reducing their savings to more normal levels. Consumer buying can also be increased by drawing on the tremendous accumulated liquid assets or by borrowing. Individual debt was substantially reduced during the war and is now at an exceptionally low level.

Prices Not Weakening

As yet there is no evidence of weakness in prices and the forces are generally operating toward rising prices of goods and services as well as fixed assets. The building up of inventories, the deferred demands for durable goods by both producers and consumers, foreign needs, and other consumer demands combine into an impressive array of pressures on prices. Demands are especially great for many goods in short supply.

The heavy demand for limited supplies of goods and services may result in higher prices even though there is tremendous capacity for production and increasing numbers of people out of work. The problem of organizing production and distribution so that goods and services are promptly made available to meet the demands is a difficult one and is already running into serious troubles. The hindrances include differentials in wages between previous jobs and those available, the desire of workers and soldiers to have a rest and look around before settling down, the problems of location of work and workers, the efforts of organized labor and management to obtain adjustments in wages and working conditions involving commitments for an uncertain future, and the difficulties, in the absence of priorities and allocations, of obtaining all materials and equipment needed to expand production. Failure to expand production as rapidly as possible will make the demand pressure more severe.

Speculative Movements Possible

Speculation in assets of various sorts could easily become serious. The accumulated liquid funds of both individuals and business may seek more profitable investment. Building up of inventories by business could lead to such active speculative bidding for goods as to endanger price controls. While many individuals may view their liquid assets as permanent savings and not use them to purchase consumer goods, they may be anxious to shift to other types of investments, such as securities, or homes, farms, and other real estate. The low capital gains tax and the reduction in the excess profits tax are inducements to such speculation.

In summary, then, the outlook for the next year indicates that during most of the period demands for many goods and services are likely to continue in excess of available supplies. There will be upward pressure on prices for some months, and widespread speculative movements could easily develop in goods, in security markets, and in real estate.

The situation, if it does not get out of hand, could lead to an extended period of high incomes, low unemployment, and stable prices, or it could

lead to a speculative boom followed by a crash. The fundamental long-run problem is to assure a continued demand for all the goods that this country has the capacity to produce and thus to maintain a continued high level of employment. Since this involves a very great increase over past levels of consumption and investment, the problem cannot be solved "without taking pains." That will require intelligent analysis and guidance.

WOODLIEF THOMAS
Federal Reserve Board

Farm Demand, Prices and Income in 1946

THE year 1946 will probably witness a high level of demand for farm products even though peacetime readjustments are expected to bring farm prices and incomes somewhat below this year's record highs. Prices of farm products in 1945 averaged about double the 1910–14 base and nearly twice the prewar 1935–39 average. With normal conditions for production in 1946, the readjustments in the first year after the war may result in a reduction in cash receipts from marketings below 1945, but probably by not more than about 10 to 15 percent. Since the prices of some nonfarm products may advance, the prices farmers pay probably will not decline as much as the prices they receive for their products. The net income of farmers might decline by as much as 15 percent, but this would still be more than double the prewar average and higher than in any year prior to 1943, including the peak years immediately following World War I.

Cutbacks in national expenditures for war materials are reducing national income, but by the middle of 1946 reconversion will have reached the point at which national production may begin to expand, with increasing employment. National income for the year may be reduced from the high level of 1945, but perhaps by not more than 15 percent.

Consumer purchasing power will not be affected as much as national income by the cutbacks in war production. If taxes are reduced, this will leave a larger proportion of current incomes at the disposal of consumers. Furthermore, consumers may reduce current savings and use some of their accumulated savings to purchase goods and services, so that the actual current expenditures may be little affected by the curtailment in national income. In fact, total expenditures for consumer goods and services in 1946 are likely to be larger than in 1945.

Total civilian purchases of farm products will be increased by returning soldiers, by the removal of restrictions upon consumption, and, in the case of textiles, simply by converting more of the raw material into civilian goods for which there is a waiting demand. The curtailment of military purchases of most products will be offset largely, if not entirely, by expanding civilian requirements and increased purchases for relief and export. In some cases the supplies released by the reduction or disappearance of special military requirements will be absorbed only at lower prices.

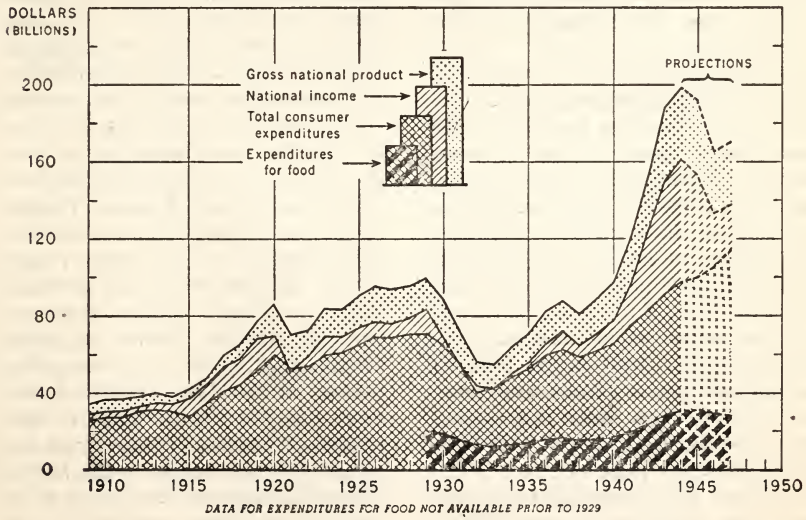
Relief takings and exports of farm products in 1946 will be large if adequate financial arrangements are provided. The need exists and arrangements have been made already to move a considerable volume in the next few months. Wheat is moving in large volume and the exports of cotton are likely to increase. The takings of some products may decline in the latter part of the year, especially if good crops are harvested in Europe and other exporting countries.

The volume of exports of farm products depends largely on the availability of purchasing power or ways and means of financing the takings by foreign consumers. The need exists for about all the food the country can spare, but the termination of lend-lease makes it necessary to provide other means of financing. While some countries are already prepared to buy, the takings of others depend on loans to be negotiated through the Export-Import Bank or otherwise. Relief purchases on UNRRA account also will be an important factor in exports. In the past 2 years lend-lease shipments and commercial exports of food have amounted to about 8 percent of the total food distribution. The value of these exports has exceeded 2 billion dollars of which about 80 percent was shipped under lend-lease. While the exports of some items may decline and the takings of some countries, particularly Russia, probably will be reduced, total exports are likely to be increased by larger shipments of wheat and cotton, provided suitable financing is arranged.

War conditions have reduced farm production in most of the areas directly affected by military operations, and the ending of these operations opens up a wider area for the distribution of the farm products of the United States. Crop and livestock production are short in Europe, so that the minimum import requirements are much greater than usual. The Orient also needs additional foodstuffs. Drought in many Southern Hemisphere countries and transportation difficulties make it practically impossible for any significant quantities of foodstuffs to be furnished from the surplus-producing countries other than Canada and the United States.

Conditions are favorable for exporting more wheat in the current marketing season than has been shipped from the United States in any one year since the 1920–21 season—probably as much as 425 million bushels could be spared, if provisions were made for paying for it. Estimates of requirements of bread grains by deficit areas add up to over 800 million bushels. This amount could be supplied from

EXPENDITURES FOR FOOD, TOTAL CONSUMER EXPENDITURES, NATIONAL INCOME, AND GROSS NATIONAL PRODUCT, UNITED STATES, 1909-44 AND PROJECTIONS FOR 1945-47



U. S. DEPARTMENT OF AGRICULTURE NEG. 45583 BUREAU OF AGRICULTURAL ECONOMICS

Prices of Farm Products

[Estimates of average prices received by farmers at local farm markets based on reports to the Bureau of Agricultural Economics. Average of reports covering the United States weighted according to relative importance of district and State]

Commodity	5-year average		Oct. 15 1944	Sept. 15, 1945	Oct. 15, 1945	Parity price Oct. 15, 1945
	August 1909–July 1914	January 1935–December 1939				
Wheat (bushel)---dollars	0.884	0.837	1.42	1.45	1.51	1.55
Rice (bushel)---do	.813	.742	[1] 1.77	1.67	1.79	1.42
Corn (bushel)---do	.642	.691	1.13	1.12	1.13	1.12
Oats (bushel)---do	.399	.340	.659	.583	.628	.698
Hay (ton)---do	11.87	8.87	15.20	14.30	14.30	20.80
Cotton (pound)---cents	12.4	10.34	21.25	21.72	22.30	21.70
Soybeans (bushel)---dollars	[2].96	.954	2.04	2.07	2.06	[3] 1.68
Peanuts (pound)---cents	4.8	3.55	7.71	8.29	8.06	8.40
Potatoes (bushel)---dollars	.697	.717	[1] 1.41	1.38	1.26	1.28
Apples (bushel)---do	.96	.90	2.05	2.84	2.84	1.68
Oranges on tree, per box---do	[4] 1.81	1.11	2.70	2.12	2.05	[3] 2.06
Hogs (hundredweight)---do	7.27	8.38	13.80	14.10	14.10	12.70
Beef cattle (hundredweight)---do	5.42	6.56	[1] 9.71	12.00	11.40	9.48
Veal calves (hundredweight)---do	6.75	7.80	[1] 12.20	13.40	13.40	11.80
Lambs (hundredweight)---do	5.88	7.79	[1] 12.10	12.40	12.60	10.30
Butterfat (pound) [5]---cents	26.3	29.1	50.3	50.3	50.2	[6] 47.5
Milk, wholesale (100-pound) [5]---dollars	1.60	1.81	[1] 3.32	3.20	3.28	[6] 2.99
Chickens (pound)---cents	11.4	14.9	23.8	27.5	24.3	20.0
Eggs (dozen)---do	21.5	21.7	38.8	39.6	42.6	[6] 43.6
Wool (pound)---do	18.3	23.8	[1] 41.6	41.4	41.1	32.0

[1] Revised.
[2] Comparable base price, August 1909–July 1914.
[3] Comparable price computed under section 3 (b) Price Control Act.
[4] Comparable base price, August 1919–July 1929.
[5] Does not include dairy production payments made directly to farmers by county AAA offices.
[6] Adjusted for seasonality.

the United States, Canada, Argentina, and Australia. It is doubtful that conditions will permit the movement of so much wheat in the current marketing season, but at any rate the domestic stocks of wheat are likely to be pulled down to moderate levels at the end of the year, and the foreign needs in the next marketing season may continue at a high level.

An opportunity is now offered to export considerable quantities of cotton. Many countries need cotton to resume mill operations and to meet deferred requirements for textiles. Relatively large shipments to Spain in the past year indicate the possibilities of shipments to many other European countries. The provision in the Surplus Property Act for financing the exports of cotton should facilitate the placing of American cotton back in the mills of many foreign countries. Undoubtedly large quantities of tobacco also can be exported with suitable financing arrangements.

However, the opportunity for exporting large quantities of many farm products will be reduced in the course of the next 2 or 3 years, just as it was after the First World War.

Farm Prices

Farm prices generally are likely to remain firm until the new 1946 crops begin to come in. In fact, if ceilings were abandoned or raised on some items, the index might rise above the level of this fall. The downward adjustment in the prices of potatoes and truck crops early this fall is an example of seasonal reductions to lower levels that may be expected from time to time in the next 2 years. Possibly the prices of potatoes and truck crops will stabilize not far below present levels. As the fresh crops of winter vegetables come to market, there may be some further decline in prices. Larger fruit crops will bring lower prices. If the 1946 wheat and feed crops turn out to be as large as those of 1945, the prices of these crops may adjust to lower levels as the harvest season approaches. The prices of the fats and oils crops are likely to de-

cline if, and as, significant volumes of imports come in. Prices of livestock and livestock products may be well sustained by strong demands for these products, while prices of eggs and of some dairy products may decline moderately in the season of heaviest production.

Prices received by farmers have declined from the high level reached early this summer, and in 1946 are likely to average moderately lower than in 1945, but not more than 10 percent lower. The prices of fruits, vegetables, truck crops, and eggs may decline somewhat more than those of other farm products. Since relief and export takings of farm products are likely to be smaller in the second half of the year, the prices of most farm products may decline more in that time, especially if crop yields are high in foreign countries as well as in the United States.

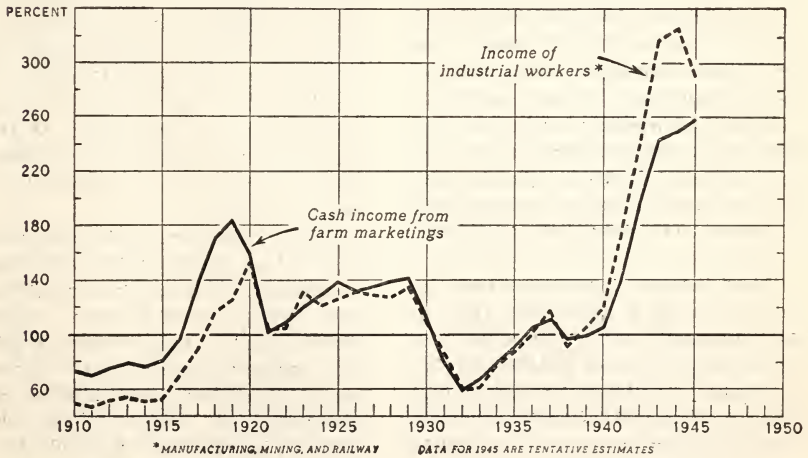
There have been some slight increases in prices paid during the past year for clothing, furniture and building materials, but livestock feed prices are slightly lower than in 1944. The prices-paid index may decline only slightly in the second half of 1946. Prices paid for seed, purchased food, and livestock feed may decline as the prices of farm products are reduced. These items contribute 29 percent of the total value of the index. Interest and taxes, which make up 14 percent of the index, probably will show little change. Prices of such articles as automobiles, tractors, other farm machinery and building materials may average higher in 1946.

The ratio of prices received to prices paid, interest and taxes averaged 117 for the first 9 months of 1945. Since the prospective decline in prices received is somewhat larger than that in prices paid, the ratio may be moderately lower in 1946, particularly in the second half. Farm prices, however, are expected to average above parity next year.

Government support of the prices of basic commodities and of other commodities upon which commitments have been made will check but not prevent a decline in the average of the prices of farm products. Wartime demand has maintained the prices of many products considerably above support levels.

CASH INCOME FROM FARM MARKETINGS, AND INCOME OF INDUSTRIAL WORKERS, UNITED STATES, 1910-45

INDEX NUMBERS (1935-39=100)



U. S. DEPARTMENT OF AGRICULTURE NEG. 42554 BUREAU OF AGRICULTURAL ECONOMICS

Gross farm income, cash receipts, production expenses, and net income to farm operators which began to rise in 1938 reached a peak in 1945. Some recession is expected next year.

Assuming only average crop production in 1946, total crop marketings next year will probably be less than in 1945. Total cash receipts in 1946, including Government payments, may be about 19 billion dollars, approximately 10 percent below 1945.

In 1945 total cash receipts from farm marketings probably will be about 20.4 billion dollars, 3 percent above 1944. Government payments are expected to be about the same.

Production expenses probably will reach a peak in 1945 and decline in 1946. An increase of nearly 5 percent in expenses in 1945 over 1944 may be followed by a slight drop in 1946. Costs of hired labor probably will rise this year over last year as wage rates are increasing, but there may be a slight decline in expense for hired labor in 1946.

Charges for maintenance and depreciation will be high in 1945, but probably will be higher still in 1946 as greater supplies of available motor vehicles and other farm equipment provide greater opportunities for replacing outworn and outmoded implements.

Expenditures for feed purchased may decline in 1946 as numbers of livestock to be fed and prices paid for feed probably will decrease somewhat.

Property taxes may increase in 1945 slightly but are not expected to show much change in 1946. Charges for farm mortgage interest probably will be about the same in 1945 and 1946 as in 1944.

Gross income—the sum of cash receipts from farm marketings, Government payments, value of products consumed in farm homes and rental value of farm dwellings—probably will amount to around 24.2 billion dollars in 1945, followed by a decline of 5 to 10 percent in 1946.

After deducting expenses from gross income, the realized net income to farm operators in 1945 probably will exceed 1944 by about 3 percent to register almost 13 billion dollars. In 1946 net income may recede as much as 15 percent. Government payments, which are included in these net income estimates, will be about 0.8 billion dollars in 1945, about the same as in 1944, but may decrease 10 to 15 percent in 1946.

OSCAR C. STINE *and*
ROY A. BALLINGER
Bureau of Agricultural Economics

FOOD SUPPLIES

CIVILIAN food supplies in 1946 will be much improved over 1945, permitting a civilian consumption per capita 11 percent or more above the prewar average though probably slightly below full consumer demand for the year as a whole. The improved supply situation is expected to result in retail food prices about 5 percent below the average for 1945.

Civilian supplies of some foods probably will continue short of demand at ceiling prices during the early part of the year, but by summer only sugar and some fats and oils may be short.

The gap beween over-all supply and over-all demand for food will be narrower in 1946 than in the past 2 or 3 years. Total food supplies will still be short of total demand unless food production, on the one hand, should continue at the record high of 1944 and 1945, or demand, on the other should fall more than 10 percent below this year's level.

Military need for food in 1946 is now expected to be ¼ to ⅓ below 1945 procurement for both the armed forces and military relief feeding. A substantial part of the cutbacks in military purchases will accrue to American civilians, but these cutbacks will also permit an increase in the quantities to be exported—particularly in the period October 1945 to July 1946.

If financial arrangements can be made, 8 to 10 percent of the total United States food supply might be exported in 1946, including shipments to U. S. territories, commercial exports, and UNRRA shipments.

Civilian Consumption of Principal Foods, 1935-39 Average, 1944 and 1945

Food group	Consumption per capita in pounds		
	1935–39 average	1944	1945
Red meats	126	150	130
Poultry meats	21	27	29
Eggs [1]	298	351	390
Fluid milk and cream	340	423	438
Cheese	5.5	5.0	5.7
Butter	17	12	11
Fats and oils [2]	31	33	31
Fresh fruits	138	145	146
Processed fruits [3]	26	27	34
Fresh vegetables	235	254	264
Processed vegetables [3]	32	35	44
Potatoes, sweetpotatoes	153	147	151
Sugar	97	89	73
Corn products	39	46	47
Wheat flour	153	161	164
Coffee	14	16	17
Tea	0.7	0.5	0.7
Cocoa	4.4	3.6	3.9

[1] Number, not pounds.
[2] Excludes butter.
[3] Pack year.

Meat supplies for civilians in 1946 may average 145 to 155 pounds per capita, annual rate — wholesale dressed weight—until fall when they will increase seasonally. Civilian per capita consumption in 1935–39 was 126 pounds—in 1944, 150 pounds. Fish will be relatively plentiful although canned fish supplies will be smaller than prewar until summer. Egg supplies for civilians will be so large as to meet full demand at substantially lower prices. Civilians will benefit from the large reduction in military procurement of chicken and turkey.

With the exception of butter, supplies of dairy products are expected to be well in line with consumer demand during 1946. Ample quantities of fluid milk and cream, canned milk, and ice cream will be available as well as good supplies of cheese for most of the year and more butter than in 1945. Further improvement in the fats and oils situation in the latter part of 1946 depends largely on imports.

The supply of fruits, vegetables, and grain products for civilians will continue to be ample. Supplies of both fresh and canned fruits and vegetables, except for apples, will be large. There will also be plenty of potatoes and sweetpotatoes and most grain products, with the exception of rice and those requiring large amounts of fats and oils and sugar.

MARGUERITE C. BURK, BAE

LIVESTOCK

MEAT production in 1946, about the same as 1945, will be about 2 billion pounds less than the 1944 record output of over 24½ billion pounds (dressed meat basis), but over 6 billion pounds more than average production in 1935–39.

At the prospective level of consumer expenditures in 1946, the meat supply will be about in balance with demand, at 1945 retail prices.

The 1946 requirements for meat by the armed forces and for export will be substantially below the 1945 total of about 6 billion pounds. Because of reduced meat-animal production, European imports from this country for the next 2 or 3 years, though smaller than in 1942–45, probably will be large compared with prewar.

Hogs

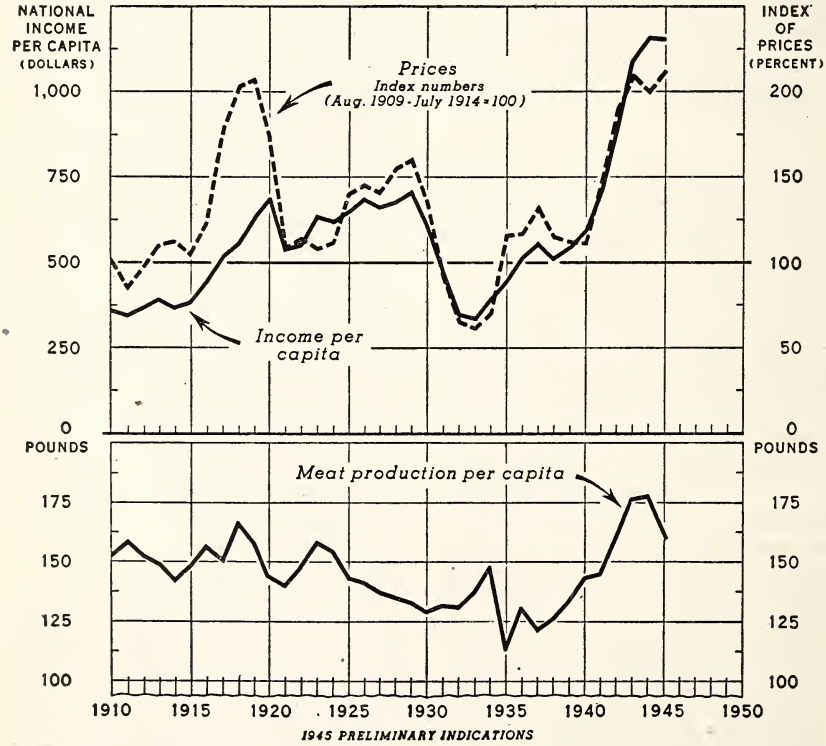
Pork production for 1946 as a whole may be moderately greater than the 10 billion-pound output indicated for 1945. The total number of hogs slaughtered in 1946 will be increased somewhat, partly because of delayed

marketings of 1945 spring pigs. Hog marketings will be materially greater in the late spring and early summer of 1946 because of an increase in the 1945 fall pig crop. Weight of hogs marketed, however, may not reach the record weights of 1945 when both heavy and medium hogs sold at the same price per pound under ceilings.

The total pig crop of 1945 will be about the same as the 87 million in 1944. The hog-corn price ratio has been moderately above the long-time average throughout 1945, but it is not particularly favorable for an increase in the 1946 spring pig crop in view of the high returns from other livestock enterprises, particularly dairy production. Current indications point to a 1946 spring pig crop not greatly different from the 52 million saved last spring.

Hog prices in 1946 probably will average moderately lower than in 1945, when prices were at ceilings for most of the year. Hog prices may fall below current levels during the winter when marketings of spring pigs are largest and again in the late spring when marketings of 1945 fall pigs are at a peak. If the 1946 spring pig crop is no larger than the 1945 crop, pork prices in the latter part of 1946 probably will be at about the same level as in the latter part of 1945 when prices were at ceilings. However, appropriations have only been made for the payment of the hog slaughter subsidy until June 30, 1946. If the slaughter subsidy amounting

PRICE RECEIVED BY FARMERS FOR MEAT ANIMALS, NATIONAL INCOME PER CAPITA, AND MEAT PRODUCTION PER CAPITA, UNITED STATES, 1910-45



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to $1.70 per 100 pounds, is withdrawn after mid-1946, hog prices probably would be reduced by an amount approximately equal to the subsidy.

Exports of pork and lard to Europe in the next 2 or 3 years probably will be materially larger than the low level of 1935–39, although below 1942–45 when substantial shipments were made through lend-lease. Increased hog production in Canada, Argentina, and Australia will result in more intense competition for the European market than in prewar. But it will take several years before hog production in Europe, which was reduced more than one-third during the war, will be up to prewar. World hog numbers at the beginning of 1945 were 10 percent below prewar.

Beef Cattle

Cattle slaughter, at unprecedented levels in 1944 and 1945, is expected to continue high through 1947 at least. The number of cattle on farms has declined only moderately since the January 1, 1944 peak of 82.4 million head and breeding herds are still very large. Hence slaughter is likely to continue at or near record levels in 1946. But prospective lower cattle prices, together with the distinct possibility that forage and range conditions will not continue so consistently favorable as in recent years, mean that cattle numbers probably will decline at an accelerated rate beginning in 1946 or 1947. This will be accompanied by a fairly heavy slaughter of breeding stock in addition to marketings of beef steers and heifers from current output. Hence, though the size of the annual calf crop will be declining, total marketings of cattle and calves are likely to continue large for another 2 or 3 years at least.

Unit returns to cattle producers in 1946 will be lower than in 1945. Beef prices, governed by price ceilings in 1945, are likely to be maintained close to present levels. However, if price ceilings are removed, prices of the better grades of beef probably would advance. Consumer expenditures for food in 1946 will not be much less than in 1945 and with a comparatively large proportion of the population receiving relatively high incomes, demand for the better grades of beef will continue exceptionally strong. But prices of lower-grade beef may weaken, as large supplies of such beef will become available.

A major factor influencing returns to cattle producers in 1946 will be the way in which subsidies and price control regulations are handled. Subsidy payments to slaughterers and direct payments to farmers and ranchers are authorized through June 1946. If the slaughter subsidy is withdrawn in 1946 prices of lower-grade cattle probably would be reduced, even if ceiling prices on beef were raised, or removed, since prices of lower-grade beef are not likely to advance. However, for higher grade cattle the withdrawal of the subsidies probably would be only partly reflected in lower prices to producers, as prices of better grade beef would tend to advance if ceilings were raised.

Sheep and Lambs

Sheep numbers, at a peak of almost 57 million head at the beginning of 1942, will be 20 to 25 percent less at the beginning of 1946, because of the continued decline during the war. The rate of decline in sheep numbers in 1946 probably will be reduced as the farm labor supply increases. Also direct subsidies to producers on slaughter lambs beginning in August 1945 to continue through June 1946 will more nearly equalize returns from lambs and wool with those from other farm enterprises.

The 1946 lamb crop is likely to fall below 1945, reflecting the smaller number of ewes that will be on farms and ranches next winter and spring. Output of lamb and mutton will be below all of the war years because of the smaller lamb crop, a probable reduction in ewe slaughter, and the possibility that producers will save a larger

number of ewe lambs for herd replacements next fall.

With smaller marketings in prospect, unit returns from sales of lambs and sheep, including subsidy payments, probably will average higher during the first half of 1946 than in the same period of 1945. Prices of lambs and sheep probably will decline less than seasonally in the summer and early fall next year. However, if subsidy payments to producers are withdrawn, unit returns from sales of sheep and lambs in the second half of 1946 probably will be moderately lower than in the same period of 1945.

R. M. Walsh and G. J. Sims, BAE

DAIRY PRODUCTS

RETURNS to dairy farmers during 1946 will be moderately lower than in 1945. The level of returns is contingent in part on Government actions on dairy production payments and on processor subsidies on cheese. In 1945 cash receipts from dairy products, including dairy production payments, will be over 3.5 billion dollars. Dairy production payment rates have been announced through the first quarter of 1946 and financial arrangements have been made through June 30. Funds for payments of processor subsidies have been made available through June 30.

The 1946 supply of dairy products, except for butter, will be reasonably well in balance with demand, at an average price for whole milk slightly below 1945 assuming price ceilings, particularly for butter, continue at current levels. Butter supplies, even at the increased retail ceilings, will be below potential demand for most of 1946 so that butterfat prices will be about unchanged and will tend to maintain whole milk prices. However, removal of the 3.75 cents per pound processor subsidy on cheese probably would affect cheese prices very little, but prices received by farmers for whole milk in cheese areas probably will decline in 1946. The supply of cheese is expected to be adequate to meet the 1946 demand at about present prices.

Despite decreases in the output of whole milk products, the quantity of milk available for creamery butter production probably will be only moderately above that of 1945. Supplies of creamery butter during 1946, though above the extremely low level of 1945, will be substantially below the prewar level of 17 pounds per person.

Milk production during 1946 is expected to be 1 to 3 percent below the all-time peak reached in 1945, now indicated at 123 billion pounds. The number of milk cows on farms in June was 2 percent below that of 1944. The ratio of heifer calves per hundred cows on January 1, 1945, was 23.7 compared with 25.5 on January 1, 1944. This is replacement stock for 1946 dairy herds. Hence, the number of milk cows on farms in 1946 probably will be smaller than in 1945. Also, the record milk production per cow of almost 4,800 pounds expected for 1945, will not continue in 1946 if only average weather prevails. This high level of production per cow was a reflection of record unit returns, in part due to dairy production payments, and excellent pasture conditions. If dairy production payments are completely terminated after June 30, 1946, the decline in milk production per cow probably will be accelerated.

Total sales of fluid milk and cream in 1946 probably will not differ much from 1945. However, production of whole milk manufactured products (cheese, canned milk, dried whole milk) probably will decline from the record levels achieved in 1945 because of the reductions in noncivilian takings. Civilian supplies of such products probably will be at or near record levels. Noncivilian takings have accounted for about 30 percent of the cheese supply and 25 percent of the canned milk production.

Gerson Levin, BAE

POULTRY AND EGGS

PRICES received by farmers for eggs in 1946 are expected to be at or near support levels in contrast to most of 1945 when egg prices were at or near ceilings. The extent of the decline will depend chiefly on export demand. This radical change in the price situation will be due in a large part to increased civilian supplies of red meat (for which eggs have been an important substitute during the war), and to a minor extent on the reduction in noncivilian takings and declines in consumer purchasing power. Declines are expected to be especially pronounced in the Midwest where the reduction in processing activities will affect returns to producers of lower grade eggs.

Farm egg production in 1946 probably will be slightly below the indicated 4.6 million dozen produced in 1945. Domestic supplies and demand for eggs at support prices would be about in balance in 1946 if the equivalent of 400 to 600 million dozen eggs were exported.

Prices received by farmers for turkeys and chickens probably will decline from the all-time peaks reached in 1945, reflecting reduced noncivilian takings and increased supplies of red meat. However, such declines are expected to be only moderate since the high level of consumer purchasing power, though below that of 1945, will tend to keep the demand for poultry meat fairly strong and probably will sustain prices.

Production of farm chicken meat in 1946 may not be much different than in 1945. Although the number of chickens raised in 1946 probably will show significant declines from the 1945 level, heavy flock culling because of prospective lower egg prices will be an offsetting supply factor. Also, commercial broiler production which has made outstanding gains within the last few years may be reduced somewhat in 1946 from current levels.

In the long run, however, if purchasing power continues above prewar, per capita consumption of chicken may continue well above the prewar level of 18 pounds. In addition to the effects of a higher level of income, more efficient techniques in broiler production and improvements in marketing methods will contribute to a well sustained supply and large consumption of chicken. The trend in broiler production is likely to continue upward though at a decreasing rate than in recent years.

Turkey meat production in 1946 may not differ much from 1945. Favorable returns for the past 2 years and ample feed supplies probably will keep turkey production near the high level reached in 1945, when production was over 44 million birds, 22 percent above 1944 and almost double the prewar average. Civilian turkey consumption is expected to continue its upward trend, retarded during the war because of large army procurement. In 1945 per capita consumption will be about 4.5 pounds, almost double the 2.6 pounds consumed in 1935–39.

GERSON LEVIN, BAE

FEED

FOR the ninth consecutive season feed production has been large. Supplies of both forage crops and feed grains for the 1945–46 season are above average and, except in limited areas, are ample to meet the expected livestock requirements. Supplies of feed concentrates per animal unit for the 1945–46 season are slightly smaller, on the basis of October 1 indications, than the relatively large supplies in 1944–45. Demand for livestock feed may not be quite so strong as in 1944–45, because of somewhat lower returns to some livestock producers. In 1945–46 prices of feed grains, except oats, probably will average about the same as in the season just ended.

Total supplies of feed concentrates for the 1945–46 season, including feed

grains, byproduct feeds, and wheat and rye for feed, are about 160 million tons. This would be slightly smaller than a year earlier, but larger than average. Considerably less wheat will be fed in 1945–46 than a year earlier, and imports of oats and barley will be materially smaller, so that the actual supply of grain for livestock is slightly smaller than a year ago. The total supply of high-protein and other byproduct feeds also is expected to be slightly smaller than the record supplies in 1944–45.

Total livestock numbers are expected to be about the same next January 1 as a year earlier, but some decrease may take place during 1946.

Feed Balance, 1938–45, Year Beginning October 1

Item	1938–42 average	1944	1945[1]
	Mil. tons	*Mil. tons*	*Mil. tons*
Stocks, beginning crop year[2]	20.1	10.7	14.2
SUPPLY			
Feed grain production:			
Corn	75.1	90.4	86.2
Oats	18.8	18.7	25.3
Barley	7.9	6.8	6.7
Sorghum grains	2.4	5.1	2.9
Total production	103.9	121.0	121.1
Other grains and byproduct feeds for feed	23.0	29.8	24.7
Total supply	147.0	161.5	160.0
UTILIZATION			
Feed grains and other grains fed	98.9	112.9	------
Byproduct feeds fed	16.3	19.5	------
Total concentrates fed	114.9	132.4	132.0
Feed grains for food, seed, industry and export	11.7	14.7	14.0
Total utilization	126.9	147.1	146.0
Total utilization adjusted to crop-year basis	126.5	147.3	------
Stocks, end of crop year[2]	20.5	14.2	14.0
Number of grain-consuming animal units on the following January 1	*Mil.* 140.3	*Mil.* 147.0	*Mil.* 147.0
Supply of all concentrates per animal unit	*Tons* 1.05	*Tons* 1.10	*Tons* 1.09

[1] Preliminary.
[2] Stocks of corn Oct. 1, oats July 1, barley June 1, sorghum stocks not reported. Includes stocks on farms, at terminal markets, and in CCC bins.

Feeding rates are likely to continue at a high level during 1945–46, although probably not so high as in 1944–45. Even with a somewhat lower rate of feeding, and a slightly smaller livestock output in 1945–46 it is likely that the corn and barley carry-overs at the end of 1945–46 will be reduced below the levels reached at the end of 1944–45. Carry-over of oats next year, on the other hand, probably will be larger next year because of the very large production in 1945.

The supply of hay for the 1945–46 season is one of the largest on record. In relation to the livestock to be fed, the supply is the largest in nearly 20 years. Hay supplies are larger in all regions of the country than a year ago and hay prices in 1945–46 probably will average slightly lower than in 1944–45.

Feed Utilization

Demand for livestock feed, particularly poultry and dairy feeds, may not be so strong in 1945–46 as a year earlier. Somewhat lower returns are in prospect for some livestock producers, and there may be some reduction in numbers of livestock in 1946. Partly offsetting the prospective decreased demand for livestock feed are indicated increases in exports of feed grains and some byproduct feeds. Increases also are indicated in utilization of corn for production of corn sugar, corn sirup, and possibly alcoholic beverages, but total quantities of feed grain utilized for food and industrial purposes may be slightly less than in 1944–45.

Greater quantities of oats probably will be fed or otherwise utilized in 1945–46 than in most other years because of the very large supplies on hand, and because of shorter supplies of other feed grains and less wheat available for feed.

Livestock producers in some deficit feed areas, and processors may encounter some difficulties again this season in obtaining desired supplies of corn. Smaller quantities of corn probably will be marketed during the next

12 months than during the past season despite the strong commercial demand that is indicated. A larger-than-usual proportion of this year's crop is in silage and forage, and a larger-than-usual quantity of grain is reported to be soft. Killing frosts occurred in some important producing areas before the crop was fully mature. However, much of the poor quality corn is in areas where it can be fed, so that loss from spoilage and waste is not expected to assume serious proportions.

Regional Supplies

Total corn supplies are larger than a year ago in the Eastern Corn Belt States, but are considerably smaller in the Western Corn Belt where livestock production has increased the most in recent years. However, supplies in the latter region are larger than average this year. More corn is on hand in the South Atlantic and South Central regions than a year ago, and less corn probably will be required from "surplus" producing regions than last year.

With a considerable reduction in the quantity of wheat to be fed in the North Atlantic States in 1945–46, larger quantities of corn and oats will be needed in that area than were shipped in last season. Larger quantities of locally produced oats and slightly more corn on hand than last year will partially offset the increased requirements of feed grains from other areas.

Supplies of feed grain in the Western States are slightly under those of a year ago, but reductions in numbers of livestock would offset the reduced supply on hand. About the same quantities of feed grain will be needed to be shipped to the Western States in 1945–46 as last season.

R. A. Phillips, BAE

FOOD GRAINS

SUPPLIES of wheat and rice in 1946–47 are expected to be plentiful but rye may continue relatively short. Compared with the current year, rye and wheat prices are expected to average slightly lower, and rice considerably lower.

Wheat

Large export demand for wheat is expected to hold prices generally at about ceiling levels for most of the remainder of the current marketing year. For the 1946 crop prices may be only moderately lower, unless yields per acre in this and other important producing countries are very large. Present law provides price-support loans to cooperating farmers at 90 percent of parity on wheat harvested within two full calendar years after the formal termination of hostilities, provided that producers have not disapproved of marketing quotas. Should prices average only at the 90 percent support level in 1946–47, they would probably be between 10 and 15 percent below the current year. However, this would still be above prices in any of the 17 years between 1925 and 1943.

Under present conditions, farmers undoubtedly will plant a wheat acreage for harvest in 1946 at least equal to that seeded for the 1945 crop. The 1946 goals established by State committees add up to 68.9 million acres for the country as a whole, which is practically the same as was seeded for the 1945 crop. With average yields, this acreage would produce a crop of about 900 million bushels. This, with stocks on July 1, 1946, of about 300 million bushels, would provide for domestic requirements and leave about 400 million bushels for export and carry-over at the end of the 1946–47 year. If Canada and the Southern Hemisphere countries have good crops, exports from the United States probably would not exceed 100 million bushels, which would leave a carry-over of about 300 million bushels on July 1, 1947.

Conditions in the United States are conducive to maintaining wheat acreage at around current levels for the next year or two. However, if a relatively large wheat acreage is main-

tained for several years, this country will again be faced with a difficult disposal problem.

Rye

With the likelihood that the acreage for rye grain will not be expanded adequately to fully meet requirements, rye prices in 1946–47 are expected to average about the same relatively high level as in the current marketing year.

Rye disappearance in 1945–46 is expected to exceed the size of the 1945 crop and reduce the carry-over July 1, 1946 to between 6 and 7 million bushels which is considerably below average and compares with 13 million bushels on July 1, 1945.

The acreage of rye for harvest in 1946 is expected to approximate the State rye goals for 1946 which total 2.6 million acres. This would be about a fourth larger than the 2.1 million acres harvested in 1945. Assuming average yields of 12.2 bushels per acre, an acreage of this size would produce a crop of 31.4 million bushels. Additional rye production could be readily used for animal feed, distilled spirits and exports, but it is not likely that the acreage could be further expanded to obtain significant additional supplies. The acreage for grain has been declining in the important commercial rye-producing States since wheat restrictions were removed. The only likely increases are minor and are in other States, where they would be largely absorbed for livestock feed.

Rice

There is a strong demand for rice produced in the United States until the oriental supply begins to move freely. The first rice crop in oriental surplus-producing countries to be planted after the war, with minor exceptions, will be harvested beginning in November 1946. This is later than the harvest in August in the United States, and assuming financial arrangements are made, should provide an opportunity for this country to continue substantial exports in the early months of the 1946–47 marketing year. If it were not for this early-season demand, exports and shipments would be expected to decline to about the prewar level of 23 million bushels.

With about 28 million bushels needed for food in the United States and 4 million for seed and feed, the annual disappearance rate following the war would be only about 55 million bushels. With average yields of 47 bushels, this could be produced on 1.17 million acres. While such an acreage would be about 6 percent above the 1934–43 average of 1.10 million acres; it would be 23 percent below the record high level of 1.51 million acres in 1945. The early 1946–47 foreign demand will probably bring United States exports and shipments above the 23-million-bushel peacetime level.

As in the case of wheat, price-support loans to cooperating farmers are provided at 90 percent of parity in the 2 years following the formal termination of hostilities. Should the price of rice drop to about the 90 percent support level, the national average price of rice to growers might be between $1.25 and $1.30 per bushel compared with about $1.73 in 1945–46. However, with the likelihood that substantial exports will continue in the first few months following the United States harvest when the movement from farms is heavy, early season prices in 1946–47 are not expected to decline to the support level.

R. E. Post, BAE

FRUIT AND NUTS

ORCHARDS and vineyards in 1946 will produce slightly larger crops of fruits and tree nuts than in 1945, if average weather and good production practices continue. Such an output would include at least an average-sized crop of apples, in contrast to the very short crop in 1945. As additional shipping becomes available, increased imports of fruits and nuts, notably bananas and pineapples, may be expected.

While conditions point to larger total supplies of fruits and tree nuts in 1946, total demand for them is not expected to be so strong. Military requirements for fresh and processed fruits will be much smaller than in the recent war years. Lend-lease shipments of fruit, although never large, have been terminated. On the other hand, commercial exports may be expanded, but they probably will not reach prewar levels for several years, because of the war impairment of foreign markets. Such markets at best have taken only a small percentage of the domestic fruit and nut crops.

Although domestic civilian consumer purchasing power will not decline in the same degree as national income, civilian demand in 1946 may not be quite as strong as in 1945. Larger supplies of fruits and tree nuts probably will be available to civilians than in the wartime period. The result of larger supplies with some reduction in total demand inevitably would bring prices next year considerably lower than the high wartime levels.

Total production of fruits and nuts in 1945 was slightly smaller than the record of approximately 17 million tons (fresh basis) in 1944. However, new records were set in 1945 for citrus fruit, peaches, pears, and almonds. Grape production was only slightly smaller than the record-crop of 1943.

Prices to growers for the 1945 crops of deciduous fruits thus far sold averaged at or near the high wartime levels of 1944. In general, prices for these fruits were at or near ceilings though prices for some fruits, notably peaches, declined temporarily while marketings were at a peak. Prices for the remaining fresh deciduous fruits are expected to continue at or near the current high levels. Grower prices for this year's crop of dried fruits were established early in the season at levels near those in 1944.

Prices for citrus fruits are expected to decline considerably once the markets become well supplied with fruit from the prospective record-large crop, which is indicated to be about 8 percent larger than the large 1944–45 crop.

The 1945–46 commercial packs of dried and frozen fruits, and canned fruits and fruit juices will be about as large as the respective 1944–45 packs. Mainly because of drastic reductions in military requirements following the abrupt end of the war with Japan, civilian supplies of commercially processed fruits and fruit juices, except possibly frozen fruits, will be substantially larger in the 1945–46 season than in the preceding season. These commercial supplies plus home-canned stocks should provide civilians with ample supplies of most items in 1946.

B. H. Pubols, BAE.

VEGETABLES

In adjusting to reduced peacetime needs, production of truck crops for processing probably will drop below the high wartime levels, but over the years will continue to expand above prewar levels. Commercial canning will increase both absolutely and in proportion to the quantity of vegetables sold fresh. Commercial freezing, now still in its infancy, is expected to grow at an even more rapid rate.

Prices growers receive for their 1946 commercial production of truck crops are expected to fall below the peaks reached during the war, but will in general remain well above prewar levels. Prices paid for crops produced for processing probably will decline relatively more than prices for fresh market production.

Supplies of commercial truck crops for fresh market this fall are nearly one-third larger than those of a year ago and considerably above average. Ample supplies of canned vegetables are anticipated for this coming winter and spring. The enormous cuts in military requirements for canned vegetables, and further increases in the

estimated size of the 1945 packs, have changed the outlook for civilian supplies of commercially canned vegetables in the 1945–46 pack year. Formerly the prospect was for the shortest per capita supply in more than 10 years; now the outlook is for nearly, if not actually, the largest total per capita supply on record.

Potatoes

With digging well under way on the second largest potato crop on record, more than ample supplies seem certain for this winter and next spring.

Marketings of early potatoes next spring may have to compete with a very large carry-over from the 1945 late crop. Military requirements for potatoes in 1946 will be considerably less than in 1945 and civilian demand next year will be somewhat weaker than this year.

With assurance of price support for the 1946 potato crop at not less than 90 percent of parity (or at about $1.10–$1.15 per bushel), potato growers probably will be inclined to maintain total acreage near this year's acreage. The long-time shift in production toward areas with higher yields per acre was speeded up during the war. Consequently, average growing weather in 1946 may be expected to result in yields considerably higher than prewar. For the 18 surplus late States, an acreage equal to this year's, with yields equal to the 10-year (1934–43) average, would produce a crop in these States in 1946 of nearly 245 million bushels, about 5 percent below average. If the 1946 potato crop is much larger than average, prices received by growers may not average much, if any, above the support level.

Sweetpotatoes

Supplies of sweetpotatoes for the market during the next 6 to 8 months will be adequate but not burdensome. Although there has been in the past a long-time gradual downward trend in per capita consumption of sweetpotatoes, the natural increase in the total population probably will provide an annual outlet in the next few years for a total sweetpotato production somewhat above the 67-million-bushel 10-year (1934–43) average. Prices to growers for at least the 1946 and 1947 crops will be supported at not less than 90 percent of parity which at present would be about $1.35 to $1.40 per bushel.

Dry Beans and Peas

Foreign relief needs for dry beans and peas will continue large for another year. Commercial exports from the 1946 crops, especially peas, may be negligible. Domestic demand during the 1946–47 season probably will call for a slightly larger 1946 production of beans than this year, for which a crop of nearly 15 million bags is indicated. For peas it would mean a considerably smaller production than the 5.8 million bags indicated for this year.

Present legislation requires that prices to growers for the most important varieties of dry beans and peas be supported at not less than 90 percent of the parity or comparable price. Such prices, although moderately lower than in 1945, would be substantially above prewar. Announcement already has been made that the 1946 crop of dry smooth peas will be supported at 90 percent of the comparable price as of July 1, 1946.

H. W. Mumford, Jr., BAE

FATS AND OILS

PRODUCTION of fats and oils from domestic materials in 1946 and 1947 is likely to be about the same as the 9.5 billion pounds produced in 1945, or slightly higher. Net imports of fats and oils in the United States are not likely to reach the prewar level of 1.5 billion pounds in either 1946 or 1947. Demand in the next two years probably will be strong enough to support a consumption of 10.5 to 11 billion pounds, at 1945 prices.

Most fats and oils prices, now about 50 percent above the 1937–41 average, probably will remain at ceiling levels in 1946 and early 1947. If ceilings are removed in 1946, prices of some fats and oils will advance.

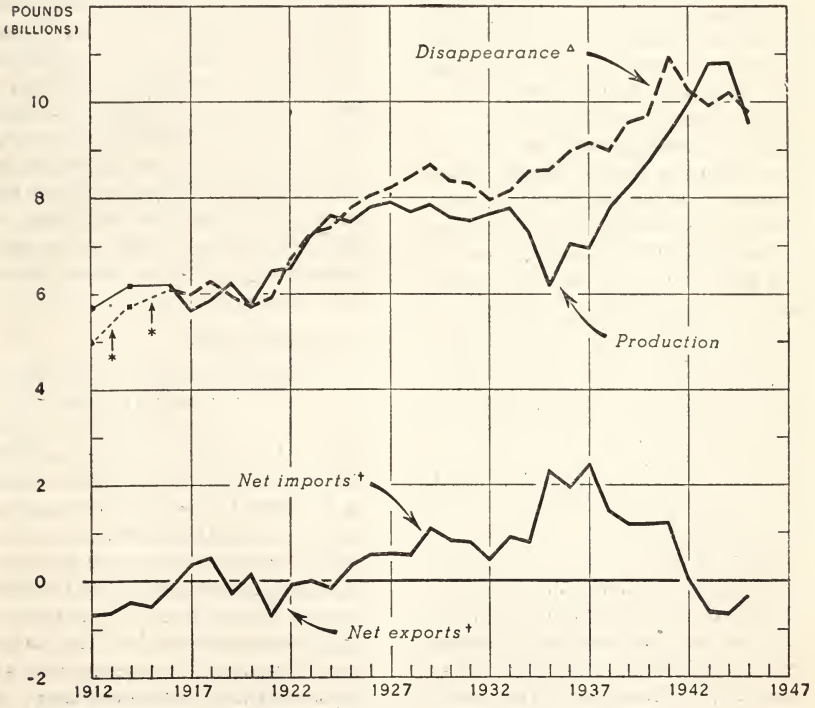
In 1945 exports of fats and oils from Asia, Africa, South America, Australia, New Zealand, and the Pacific Islands, and production of whale oil from the Antarctic, probably will total only about 4.3 billion pounds compared with an average of 9.6 billion pounds in prewar years (1934–38). Recovery to the prewar level will take at least 2 years. In the meantime European demand for fats and oils probably will continue strong.

By mid-1947, supplies of low-priced tropical oils and whale oils in European markets may be large enough to depress lard prices. This would tend to weaken prices of many fats and oils in the United States. But any decline is likely to be moderate. No major reduction in prices of fats and oils is likely in 1947, unless there is a general business recession.

Prices of oilseeds produced in 1946 may average moderately lower than the prices for the 1945 crops, partly because of lower prices for oilseed meal in late 1946 and in 1947. Demand for high-protein feeds may be less strong during the summer and fall of 1946 than in 1945 if returns to poultry and dairy producers decline appreciably.

Soybean prices, now supported by subsidies to processors, bring farmers

FATS AND OILS: PRODUCTION FROM DOMESTIC MATERIALS, NET FOREIGN TRADE AND DOMESTIC DISAPPEARANCE, UNITED STATES, 1912-45



△ FAT AND OIL PRODUCTS * NO DATA † INCLUDING OILSEEDS AND MANUFACTURED PRODUCTS IN TERMS OF OIL
1945 PARTLY ESTIMATED 1943 AND 1944 ARE PRELIMINARY

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an average of about $2.05 per bushel. This is about 30 cents per bushel higher than the oil and meal equivalent value of soybeans with soybean oil and soybean meal at ceilings. If subsidies to soybean processors are withdrawn after 1946 crop contracts are completed, prices to growers might decline about 30 to 35 cents per bushel. Any tendency for oil prices to advance probably would be offset by a declining tendency in meal prices.

Soybean acreage and output may decline in 1946, as a result of shifts into hay and pasture. A crop of 5 to 10 percent smaller than in 1945 would bring supplies of edible fats and oils into balance with probable demand at 1945 prices.

The flaxseed price support, at 90 percent of the present parity, would be about $2.65 per bushel, farm basis, about 9 percent less than the prospective average farm price of $2.90 for the 1945 crop. The current price for flaxseed reflects ceiling values of linseed oil and meal. If ceiling prices are removed in 1946, linseed oil and flaxseed prices will advance.

Flaxseed acreage will be substantially reduced in 1946 unless special incentives are offered to growers, as in 1945 when a payment of $5 per acre was made. Reduction in acreage would tend to support linseed oil prices and, to a lesser extent, linseed meal prices at high levels in the summer and fall of 1946, but not in the winter of 1946 and spring of 1947 if Argentine flaxseed becomes available in large volume at that time.

Demand for shelled peanut products will be moderately lower in 1946–47 than in the past 2 years. Prices of peanuts, at 90 percent of the present parity for peanuts for nuts, would be slightly over $150 per ton, only 7 percent less than the prospective average price in 1945–46. At this price for all peanuts, production probably would be maintained at a relatively high level.

E. L. Burtis, BAE

TOBACCO

DOMESTIC and foreign demand for United States tobacco is expected to continue relatively strong during 1946 and into 1947 in view of the probable high level of domestic consumption of tobacco products, particularly cigarettes, and the favorable outlook for exports. Small tobacco stocks now in the United Kingdom and in other importing countries will require several years of above average imports to rebuild them to prewar ratios. United States exports have increased substantially since the end of the war in Europe and are expected to continue at a high level during the next two marketing seasons because this is the only country where fairly large amounts are available for export.

While the dollar exchange may be a major problem in most foreign countries during the next few years, tobacco is such an important source of revenue to foreign governments that arrangements likely will be made for its purchase. Inasmuch as about a third of the total domestic tobacco production and a half of the flue-cured is shipped abroad in normal times, the level of exports during the next few years will be an important factor in the determination of the prices paid growers, especially for flue-cured and dark tobacco.

Prices and Stocks

Although the domestic price outlook for tobacco is generally favorable to growers, some price declines below present high levels are in prospect. The situation, however, differs among the individual types. Prices this year and last reached peak levels, and under ceiling regulations, the poor grades of flue-cured, Maryland, and some types of cigar tobacco have sold as high as the better grades of leaf. In the absence of ceilings, the price spreads between high and low grades would be much wider than during the past 2 or 3 years.

Stocks of flue-cured and burley, the major cigarette types, are larger now than in most prewar years, but they as well as stocks of most other types are below average in relation to the current rate of disappearance. Although this disappearance rate in 1944 and 1945 was the largest in history, it was exceeded slightly by 1945 production. The record 1945 crop of over 2 billion pounds makes the present supply larger than a year ago, and with disappearance slightly below the exceptionally high level of last season, stocks probably will be slightly larger for the 1946 marketing year.

Manufactured Products

The over-all consumption of tobacco products in this country is continuing at the highest level in history. Domestic consumption during the next year or so is expected to continue at or near the present high level, although some decline in cigarette production is probable because of the substantial decline in Government purchases for overseas shipment.

Domestic cigar consumption during 1946 is expected to be above the annual average of about 5½ billion consumed during the prewar years 1934–38, and the production of smoking tobacco will probably taper off during the next few years to a level somewhat above the prewar average of around 200 million pounds. Snuff consumption is at the highest level in history, but, along with chewing tobacco, some decline is expected to follow the drop in employment in war plants.

Farm Production

The exceptionally high prices being paid for all types of tobacco this year and last may encourage farmers to increase production in 1946. The current supply situation seems to justify larger acreages of Maryland, fire-cured, and cigar filler and binder in 1946. Present supplies of other types, however, including burley and dark air-cured, appear adequate.

W. P. Young, BAE

COTTON

FOR the fifth successive year farmers are harvesting a cotton crop bringing a return in excess of 1 billion dollars. Returns this season are now expected to total about 1.2 billion dollars, slightly lower than in any of the past 3 seasons but larger than in 23 of the past 36 seasons.

Government loan rates for cotton fixed at 92½ percent of parity, at least are for 1946 and 1947. Little prospective decline in parity, combined with more plentiful supplies of farm labor, fertilizers, farm machinery and other supplies, all favor an increased acreage of cotton in 1946. An acreage might be realized intermediate between this season's level of 18.3 million acres and the minimum permissible Government allotment of something over 27.0 million acres. Such an acreage, with yields equal to the 1940–44 average, would result in a production of about 2 million bales larger than in 1945.

Present indications point to a domestic supply of American cotton in 1945–46 of nearly 20.6 million running bales, of which slightly more than 11 million bales represents carry-over at the beginning of the season and 9.5 million new production. Although the carry-over this season was slightly larger than in 1944, the total supply is 2.1 million bales smaller than last season and smaller than in any other season since 1936–37. This supply includes an abnormally large amount of the shorter staples and lower grades.

Mainly as a result of the tight labor situation, domestic mill consumption has steadily declined since the peak annual rate of nearly 12 million bales established in April 1942. Last season consumption totaled slightly under 9.6 million bales, but by the end of the season it dropped to an annual rate of only 8.2 million bales. Some recovery from this summer's low is expected, but it is doubtful if consumption this season will exceed 9.0 million bales even though the supply of raw cotton is large and the demand justifies a higher

level of production. The failure of mill consumption to be higher is largely a question of the labor situation and profits.

American cotton will face even keener competition in foreign markets as ocean shipping space becomes more plentiful. The August 1, 1945, world carry-over of foreign cotton totaled 14.2 million bales, slightly smaller than the record level in 1943 but nearly double the level in 1939. Since most of the carry-over of foreign cotton is held in exporting countries, it, too, will be seeking export outlets as soon as conditions permit.

The effects of the present export subsidy on United States exports as shipping becomes more plentiful will be lessened because some countries, particularly the United Kingdom, already have acquired title to considerable cotton in other export countries. Also, since the subsidy rate of 4 cents a pound was announced in November 1944, prices of American have advanced relative to most foreign growths. Even so, there are a number of areas that are potential importers of sizable quantities of American cotton this season and next, if an adequate basis for the dealings can be developed. The full utilization of such export possibilities as could be developed would do much to move the low-grade and short-staple cotton which bulks so large in the current carry-over.

In any event, it appears likely that exports of American cotton may total about 3.0 million bales this season as compared with 2.0 million bales last season and from 1.1 to 1.5 in the preceding 4 seasons. With the possibility that both the world consumption and production of foreign-grown cotton will increase moderately, but with little net change in the carry-over of foreign cotton, the outlook is for a little smaller total world carry-over on August 1, 1946, than in 1945, mainly the result of reduced American carry-over.

Although the outlook for the next year or two is for favorable farm returns from cotton, certain highly important unfavorable factors in the longer-time outlook should not be ignored. Domestically, rayon consumption has been increasing at a very rapid rate and important gains in rayon and other synthetic fibers are expected to continue during the next several years. At the same time American cotton will meet increased competition in foreign countries both from synthetic fibers and foreign cotton. Foreign production of rayon in 1942, the latest year for which data are available, was equivalent to roughly 6¾ million bales of cotton compared with only 1 million bales in 1932.

H. G. Porter, BAE

WOOL

DOMESTIC wool production in 1946 will be a little below the 1945 output, continuing the decline begun in 1943. The 1945 production now estimated at slightly less than 400 million pounds, about 15 percent smaller than the 1942 record, is the smallest since 1929. More profitable returns from other farm enterprises than wool and lambs coupled with difficult labor problems have been largely responsible for this decline in sheep numbers and wool production.

Mill consumption of apparel wool in 1946 will be smaller than the wartime annual rate of 1 billion pounds, grease basis, largely because of the decline in military requirements. Even so consumption will be much larger than the 1935–39 average consumption of close to 600 million pounds, grease basis, and possibly twice as large as the equivalent domestic wool production. In the next year or two consumption will be supported by a large demand for fabrics and clothing for inventory replenishment, by requirements for men returning from the services, and by a relatively high level of consumer incomes. But use of domestic wool will probably be negligible, now that military orders are small and while foreign wools are

available to domestic mills at much lower prices than comparable native wools.

Because the Government will continue to purchase domestic wools until June 30, 1946, at prices specified in the 1945 purchase program, growers are assured of present prices, now averaging about 41 cents a pound, through the early part of 1946. This is about 71 percent above the 1935–39 average. Prices to growers after June will depend on the action taken regarding further Government support. Without price supports, prices of domestic wool would decline to a level competitive with duty-paid imported wools. Present support prices for fine and medium grades of domestic wool at Boston are about 20 percent higher than current prices of imported wools of comparable quality and preparation.

Because of the large world carry-over of apparel wool, estimated as of July 1, 1945 to be equal to a prewar average world consumption of about 1.7 years, world wool supplies will continue to remain large for a number of years. This unfavorable factor in the long-time price outlook may be partly offset, however, by Government control of sales and prices of carry-over wools as well as by the new production in the United Kingdom and British Dominions during the years required to dispose of the surplus. These countries in prewar years provided more than half of world production of apparel wool, and almost three-fourths of world exports. They now hold the greater part of the world carry-over of apparel wool.

FLORENCE HAMILTON, BAE

SUGAR

SUGAR supplies for the United States are expected to be a little more plentiful next year than in 1945, but still considerably below the quantity which would be purchased at current prices and with no rationing. The reported discovery of 1½ million tons of sugar in storage in Java will add about 5 percent to the estimated world supply of sugar. The effect of the Java stocks on supplies for the United States will depend on the amount allocated to this country either directly or indirectly by increasing the quantity of sugar which the United States may obtain from other sources. In prewar years, a large part of the sugar exported from Java went to Asia.

Production of sugar in continental United States in 1945 probably will total about 1.9 million tons (raw basis) as compared with 1.5 million in 1944. However, most of this sugar will not be available for consumption until 1946. The 1945 sugar beet crop is expected to be at least one-third above 1944 but slightly below the 1934–43 average. The sugar cane crop in Louisiana and Florida is indicated to be about 14 percent above 1944 and nearly one-fourth above the 10-year average.

The announced increase of $1 per ton in the price support payment for sugar beets grown in 1946 and equivalent increases for cane, including that grown in Hawaii, Puerto Rico and the Virgin Islands, should result in further increases in the domestic production of sugar in 1946. Domestic production normally supplies about two-thirds of total consumption. Nearly 60 percent of domestic production comes from insular territories and the remainder from mainland crops of sugar beets and cane.

Sugar production in Cuba is expected to be larger in 1946, as the drought which reduced the yield of the 1944–45 crop has been broken. Production of beet sugar in Europe should increase gradually during the next several years, as the industry recovers from the effects of the war. Sugar production in the Philippines and Java normally would be expected to increase in the same manner. However, recovery may be slower because of the longer time needed to reestablish cane fields and harvest a crop.

World sugar supplies in 1945 are the smallest since the start of World War

II. This shortage is the result of the loss of sugar production from the Philippines and Java, greatly reduced production in Europe, a small crop in Cuba in 1944–45, and small crops of sugar beets in the United States in 1943 and 1944. World sugar stocks were reduced about 2.4 million tons in 1943 and 1944. A further decline of 1.2 million tons in 1945 was in prospect before the discovery of the Java stocks.

R. A. Ballinger, BAE

MARKETING AND TRANSPORTATION

With few plant reconversions to make, generally low inventories, and good financial positions after several wartime years of profitable operation, most food marketing agencies find themselves in a relatively strong position to meet increasingly competitive conditions in the civilian market.

Dairy and Poultry

Of importance in reconversion of dairy processing plants during 1946 are the new relationships in market values of milk for various manufactured products which have resulted from special wartime demands for fluid milk and dairy products other than butter. Relatively attractive prices for whole milk made it more profitable for many farmers to deliver whole milk than to separate the cream and feed the nonfat solids to farm animals. Shift to whole milk delivery has resulted in over two-thirds of the nonfat solids being marketed for human food. Milk production and butterfat supplies increased by nearly 10 percent since 1940. The supply of nonfat solids going into foods in the same period has increased nearly 30 percent. If dried milk production is to be maintained new domestic outlets must now make up for the decline in military and export requirements which largely accounted for the increased war demand.

Effects of lifting rationing from red meats, elimination of lend-lease, and the drop in military requirements will return egg marketing to a strongly competitive basis in 1946. For poultry, long-run improvements in marketing may develop rapidly enough to offer some help in the difficult situation which, in view of the approximate 50 percent increase in production during the war years, may occur with the slackening in war demand. Evisceration of dressed poultry should help to improve consumer demand as poultry encounters increasing competition from red meats.

Fruit and vegetable processors must face new conditions within their industry in marketing the 1946 pack. Government requirements, although substantial, will be sharply reduced in all lines. Dehydration operations, which have increased fortyfold over prewar, will be greatly curtailed. Competition for canners will be more noticeable from the quick-freezing process, where the peacetime output has tripled. In meeting the new conditions, canners will not be handicapped by excessive carry-over of the 1945 pack for most items.

Food Processing

Many of the far-reaching changes in food processing and marketing expected in the years ahead center around new developments in food packaging. Prepackaging of fresh fruits and vegetables seems an inevitable development. Protection against weight loss from evaporation and against bruising and spoilage is promised by prepackaging. Savings in transportation costs can be effected when the products are trimmed for packaging at an early stage in the marketing channel. The further extension of prepackaging meats is also in prospect.

Of the several divisions of food processing, potentialities for expansion seem greatest for frozen foods. But a longer wait than has been generally anticipated appears likely before the full benefits of the industry's broadened postwar program will reach

civilian markets. Need for special facilities and equipment for distribution is one of the factors tending to slow the expansion of frozen foods.

Retail food stores during the postwar years may undergo many changes influenced by new processed products and the elimination of wartime restrictions. The position of the efficient modern, large-volume, self-service stores is likely to be strengthened. Equipment and store arrangement of existing self-service food stores will be materially altered in line with changing products and as a result of new competitive factors. Present fresh produce departments may be almost entirely replaced by display cases holding prepackaged products, some of which will be refrigerated. Meat counters might eventually give way to open-faced refrigerated cases containing neatly packaged cuts of meat, either fresh or frozen.

Textile Marketing

Rayon consumption as a percentage of total mill consumption of all fibers increased from 4 percent in 1930 to 11 percent in 1944, with cotton declining from 85 to 79 percent. During the same period the price of rayon staple fibers decreased from about 5 times the price of cotton to about the same price, but the increase in rayon consumption can be attributed only partly to these changes in relative price, since rayon would have replaced cotton in many uses even at much less favorable price ratios. With rayon and cotton prices now about equal, relative price changes presumably will be less of a factor influencing substitution of synthetics for cotton from now on than in the past.

Nevertheless, it seems probable that rayon will continue replacing cotton to a considerable extent in such uses as men's shirts, curtain materials, blankets, sportswear and possibly sheets as well as numerous industrial uses. Consumer preferences and prejudices, even more important than relative prices, seem to be veering toward synthetics in some of these lines. But the greatest relative changes in substitution of synthetics for natural fibers in 1946 and the next few years may be in woolen goods, where rayon seems to be making rapid inroads into such uses as men's suits, and blankets.

In the years beyond 1946 a good many significant developments in marketing cotton, wool and textiles are expected to occur. It seems probable that retailing of textiles may be made much more efficient through simplified service methods. Cotton textile manufacturing methods have been lacking in the rapid technological advances which have characterized the production facilities for synthetics. This is not necessarily a fault of the cotton industry, which is an old established one less subject to change than in newer industries. There is some reason to believe, however, that a good many improvements could be made in cotton milling and textile finishing and manufacturing methods, resulting in greater efficiency, lower cost and possibly improved types of products. Recent interest in these phases of cotton marketing indicates that these tentative conclusions of some observers will be more carefully examined during the next few years, and that an effort will be made to determine what is needed to put the cotton marketing and textile industry on a more modern, efficient basis.

Marketing Charges and Costs

Slightly higher levels of marketing charges for farm food products are in prospect for 1946. These should result from relaxing of price controls and supports and from pressure of higher operating costs for marketing agencies.

Farm prices will decline in relation to retail prices and marketing margins will widen as the subsidies paid to marketing agencies are removed from commodities now subsidized. During the first 8 months of 1945, subsidies to marketing agencies made up 7 percent of total marketing charges. More than half of the sub-

sidies were paid on meat products for which subsidies covered 27 percent of marketing charges.

Labor costs in wages and salaries account for about half of total operating costs of marketing agencies. Wartime advances in hourly earnings were partly offset by increased productivity per man-hour and by reduction in services, but unit labor costs of food marketing in 1944 were 20 percent higher than in 1940, rising about 2 percent from 1943. There is little indication of an immediate reversal of this trend, particularly in view of a probable partial resumption of prewar marketing services and introduction of some new services. Unit labor costs probably will continue to increase at least through 1946.

Agencies marketing farm products have fared well during the war. Numbers of financial failures among these agencies continued the sharp wartime decline into early 1945. Net profits after provision for Federal taxes generally have exceeded prewar 1935–39 levels. Although 1946 should be another good year, business failures may find many additions from new business ventures.

Transportation

Shippers of farm products can expect the freight traffic situation, already eased by the end of the war, to show general improvement during 1946. Prospects of early easing of the railroad labor shortage and the acceptance by locomotive builders of large orders for new equipment help to brighten the picture. The supply of class A box cars, suitable for handling grain, will be increased as a result of the decline in shipments of munitions which had made heavy demands on this type of car. Supply of livestock cars should be adequate, unless there is unusually heavy liquidation of cattle from the range.

Prospects in regard to refrigerator cars are relatively less bright. On July 1, 1945, there were 2,700 fewer private and railroad-owned refrigerator cars in service than on the same date a year earlier and 5,800 less than in July 1943. Refrigerator cars will continue to be in tight supply until more can be built. The only immediate remedy for the shortage lies in expedited movement and the prompt return of empty cars.

Improvement in motortrucks may be delayed for a while by the desire of manufacturers to get into volume production faster by a minimum of change from 1942 models. Subsequent models will probably reflect greater use of lightweight materials and special alloys developed for other uses during the war. Eventually the turbine may be developed to the point where it challenges the supremacy of the reciprocating engine for motortruck use. However agricultural interests may gain more in improvement of terminal market facilities for receiving truck-borne agricultural products than from any improvements in the trucks themselves.

C. C. Curtiss, BAE

Our Agricultural Plant in 1946

STARTING with a late wet spring, most crops in 1945 made remarkable progress and it now appears that total farm output will approach that of 1944, the highest year of record. This year's output adds to the evidence that strong factors other than weather are operating to sustain the almost irreversible process of increased agricultural production. This further emphasizes the need for providing peacetime outlets for a volume of production considerably in excess of prewar levels. In general, the nation faces 1946 with a farm plant capable of a high-level of sustained production.

Farmers are emerging from war with an agricultural plant in relatively better condition than after World War I. In the quarter century since then farmers have come to know more about the resources with which they work and the practices that build or tear down the soil. Although heavy inroads have been made on fertility reserves, relatively little irreparable damage has occurred. Furthermore, the heaviest withdrawals have taken place in the Corn Belt where fertility reserves are greatest. Even here, however, farmers are concerned over the high proportion of cropland now intertilled and are anxious to return to more permanent systems of farming.

While the extent of change in 1946 from wartime patterns of production will vary in different parts of the country, the overall level of production for the nation as a whole next year may not change much from that of the war years.

In the South, war-induced changes in farming systems will be encouraged in times of peace. These include reduction in the intertilled acreage and protection of that remaining by the use of winter cover crops, the extension of the acreage in lespedeza and other adapted forages and the increase of livestock to consume them. Here, to a greater degree than elsewhere, the widespread adoption of conservation practices in general and the judicious use of fertilizers can contribute to greater prosperity.

Even in the Plains where alternatives to cash-grain production are limited or nonexistent over wide areas, it seems unlikely that there will be a return to the high level of 52 million acres of wheat planted in 1935–39. Less than 43 million acres were planted in the Plains for harvest in 1944, but nearly 50 million acres were planted for the 1945 harvest. Portions of the Plains region were reminded by the return of drought conditions this season of the need for greater emphasis on summer fallow and other practices designed to conserve moisture, prevent erosion and increase and stabilize yields per acre.

Resources available for production in 1946 will be generally freer than at any time since the war began. There is likely to be more regular and seasonal farm labor available, but some relatively tight situations can still be experienced. The quality of the farm labor force will no doubt improve. Farmers generally have accumulated capital reserves and production credit will be available from many sources at reasonable rates.

The manufacture of tractors, trucks, and farm machinery of many kinds has been accelerated by the ending of the war. While farmers generally would have been able to carry on in 1946, production plans will be less influenced by serious shortages of these items. Abundant supplies of most kinds of seeds, with the exception of alfalfa, alsike clover, white clover, Kentucky bluegrass, crimson clover, and hairy vetch, will take case of ordinary needs and will permit shifting a portion of tilled acres into less intensive soil-conserving uses. Supplies of feed will be generally adequate to support livestock numbers carried over from 1945 and to provide for a somewhat larger hog production in 1946.

Supplies of fertilizer are expected to be ample for all needs during the latter half of 1946. In intervening months problems in fulfilling commitments for reconstruction abroad and those of adjusting the industry to a peacetime basis may make it difficult to meet all domestic demands. With the exception of nicotine and rotenone, insecticides and fungicides will not constitute limiting factors in 1946 production. Some new types developed during the war and heretofore reserved for military needs will be distributed for civilian use.

Miscellaneous farm supplies such as metal roofing, lumber substitutes, plumbing, and heating equipment, nails, staples, bale ties, electric motors, hand tools, farm freezers, and milk coolers will be generally available in

larger quantities in 1946 than in 1945. Tires for tractors and farm implements should be adequate for farm requirements and those for trucks and passenger cars generally available after the first quarter of 1946. Supplies of lumber available to farmers in 1946 may be about double amounts used in 1945 and near the 1939 prewar level of use.

Prospective Farm Returns

Farmers have considerable assurance that returns for the basic commodities and those covered by the Steagall amendment will be above the returns in the years immediately preceding the war. Assuming that funds will be made available, the following commodities for which wartime increases were requested are to be supported at not less than 90 percent of parity (cotton at 92½ percent) . . . *"until two years after January 1 following the date on which the President or the Congress shall have proclaimed hostilities to have ended."* They are: corn; cotton; wheat; rice; tobacco; peanuts for nuts; hogs; eggs; chickens (excluding chickens weighing less than 3 pounds liveweight and all broilers) and turkeys; milk and butterfat; specified varieties of dry peas and dry edible beans; soybeans for oil; peanuts for oil; flaxseed for oil; American-Egyptian cotton; potatoes and sweetpotatoes (when properly cured).

In addition, resumption of world trade, a growth of 5 million in population since the beginning of the war, and a consumer purchasing power only moderately below wartime levels will all be factors tending to maintain farm returns.

Direction of Production

In the year ahead, factors of demand and supply will be much more important in the production picture than in any of the last 4 to 5 years when tremendous war needs required a very high level of production. But food needs and market outlets now appear to justify production at continued high levels, though balanced somewhat differently than in 1945.

A high level of feed grain production will be needed to support a large livestock population and to build up adequate reserves. But this can be done even with some acreage reduction from wartime levels. Farmers' long-time best interests will be served by obtaining feed grain production from cropping systems that result in more stable relationships between intertilled, close-growing, and sod crops—with special emphasis on improved hays and pastures.

High prices for beef and adequate feed supplies are still holding cattle on the ranges, but stockmen will watch prices during 1946 for signs of weakening. Numbers of beef cattle and sheep should be adjusted more closely to the long-time carrying capacity of pastures and ranges. And methods of operation need to be worked out to provide a margin of profit from continued high-level production with the relatively lower prices that might be in prospect.

Judging by wartime trends, it seems probable that civilian consumption per capita of milk and milk products will be greater than in prewar years. This is in line with improvements needed in the national diet. Better feeding of the improved forages resulting from postwar rotations and of concentrates should be employed to maintain milk production and to keep it closely geared to population growth.

Factors influencing hog production point to a total 1946 pork output moderately greater than in 1945, though the 1946 spring pig crop may be about the same as last spring. Farm egg and poultry production next year will probably decline from this year's record levels. Commercial producers face increased competition from the sideline poultry production greatly expanded during the war.

Winter wheat is already in the ground. Some decrease in spring wheat in the high risk areas would be desirable, this loss being partially off-

set by some increase where wheat is used as a nurse crop on land being returned to hay production.

Even though the fats and oils shortage will continue well into 1946 and possibly into 1947, growers are hesitant about the risks in flax production and want to confine production to the lower-risk areas. Similarly, many soybean producers are anxious to reduce the acreage of intertilled crops, and in high-yielding corn areas the competition with corn will be increasingly keen in 1946. Peanut producers have already confined production pretty largely to the older areas, and may continue about at 1945 levels as long as returns from peanuts remain favorable in relation to other crops. Cottonseed production was affected adversely by weather in 1945 and can be expected to increase in 1946.

Fruit and vegetable production in 1946 will be governed rather quickly by any decline in purchasing power of domestic consumers. Wherever possible, farmers will need to adjust 1946 production levels to prospective demand and prices, as well as to expenses.

By following developments closely during the fall and winter months, farmers can more intelligently plan a 1946 production—food to be consumed in 1947 for the most part—that will be as nearly as possible in line with needs at home and abroad.

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Bureau of Agricultural Economics

FARM LABOR

FARM labor supplies in 1946 are expected to be more plentiful than in any of the war years. But relatively tight seasonal labor supplies may exist in some areas where acreages of crops, requiring much hand labor, are maintained at record levels. The supply of year-round labor should increase by next spring when demobilization of veterans and return of some men from war industry are expected to add to the supply of regular farm workers.

Several factors will determine the rate of increase in supply of labor for farm work. Of the 9 million men expected to be demobilized from the armed forces by the middle of next summer, about 10 percent, or 900,000, came from farms at the time they entered the service. But a significant proportion of these 900,000 men may not be available immediately for farm work. Prospects of nonfarm jobs will appear attractive to many, and others may care to exercise some of the provisions of the "GI bill of rights" for education and readjustment allowances while making final job decisions.

The number of war industry workers who return to farms and the rate at which they go back will be governed by the speed of reconversion to a high level of peacetime employment. Unemployment of considerable volume is quite probable during the next six months. But short-term unemployment during the transition period may not add significantly to the farm labor supply. Unemployment compensation together with later prospects of jobs in peacetime industry at rates higher than farm wage rates are likely to slow up the movement of workers back to farms. However, where new war plants were located in predominantly rural areas and the working force was drawn from nearby farms and small towns, at least a part of the released war industry workers should become immediately available for farm work.

The return of men from the armed forces and war industry to the regular farm labor force may not result in a large net increase in total employment on farms, but the average quality of farm labor should be better. The wartime farm labor force was made up of large proportions of older men, women, and children who contributed materially to wartime farm production records. Younger and more physically capable men who will return to farms from the armed forces and war industry are expected to replace many of the less efficient but

hard-working members of the wartime farm labor force, and also to enable farm operators to cut down on their long work days during the war.

Seasonal farm labor supply problems in 1946 will continue to be serious in several areas. The acreage of crops requiring large amounts of hand labor has risen to record levels in many localities. Maintenance of the acreages of these crops at high levels in 1946 will mean continuing large seasonal labor needs. Some areas specializing in the production of crops such as sugar beets, potatoes, cotton, peanuts, snap beans, tomatoes, and fruit will continue to experience harvest labor problems.

Strong recruitment programs will be needed for seasonal workers in such areas next year because of the absence of war emergency incentives. These programs will be needed especially in areas that have depended to a considerable extent upon imported foreign workers and the more than 100,000 prisoners of war who were available for seasonal farm work in 1945. Present indications are that prisoners of war will not be available for farm work in 1946. Around 90,000 foreign workers have been employed during the peak seasons in 1945. The extent of their availability in 1946 is uncertain at present.

Thus the supply of seasonal labor will be "spotty" in 1946, not much different from 1945 in some areas but considerably larger in others. Returning war industry workers and servicemen will undoubtedly add to the available supply, and with the end of gasoline rationing, migratory farm workers may increase in number.

Farm wage rates next year will probably continue close to wartime levels, but there may be some decline from the 1945 peaks. With the expected continuation of relatively high cash farm income in 1946, the competitive position of farm employers for labor should be about the same as in 1945.

G. T. Barton, BAE

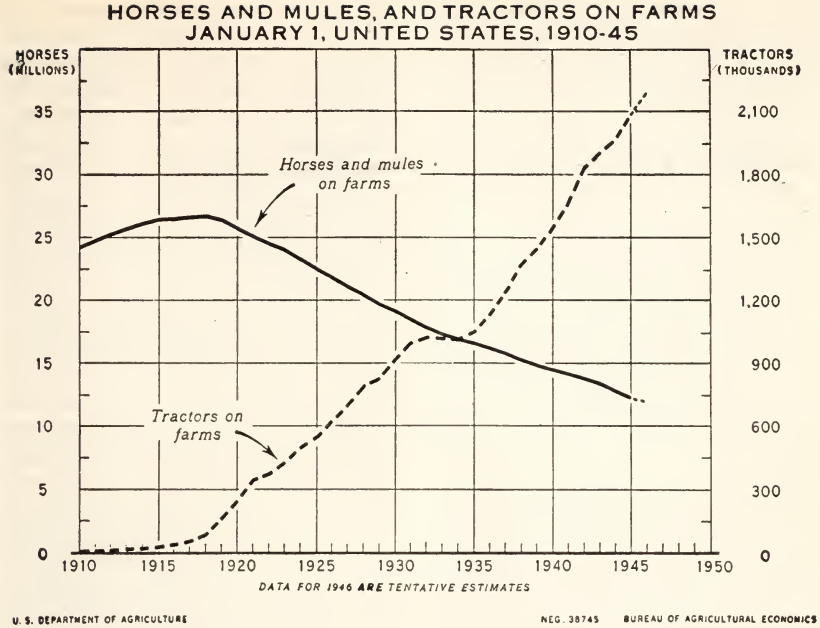
FARM MACHINERY

PRODUCTION of farm machinery and parts for domestic farm use in 1946 is expected to be larger than in any previous year.

Farm machinery quota restrictions and material allocations have been removed and manufacturers will determine the number of the different machines that will be produced in 1946. It is expected that 1946 production will provide relatively larger supplies of tillage and seeding machines than during the war. Production of tractors for farm use in 1946 may be larger than the 1941 record output when farm purchases were estimated at 286,000 units. Production of many other machines is likely to exceed the 1941 output. A sufficient supply of tractor and implement tires should be available to meet farm requirements in 1946.

In 1945 farm machinery output will probably exceed the large volume of 1944 but will be below the record output of 1941. Tractor production in 1945 will not be greatly different from the 1944 production for domestic farm use of more than 200,000 units (wheel types, crawlers and garden), but the 1945 production of many other machines will exceed the 1944 output. New type harvest machines and other important labor-saving machines has been produced in large numbers in 1945. Production of these machines has been relatively high, compared with prewar production, since 1941.

Tractors on farms increased by more than 12 percent during the 3-year period ended January 1, 1945, or at an annual rate of about 4 percent. The rate of increase in the next several years is likely to be at a higher level. For many machines the increase during the war period was much greater than for tractors. Even with an improved labor situation in prospect in 1946, demand for important labor-saving machines is again expected to bring further increases in the number of these machines on farms.



As numbers of tractors and power-driven machines have increased, the numbers of animal-drawn machines have been reduced. Total horse and mule numbers declined by about 1.4 million head during the 3 years ending January 1, 1945, and the decline is expected to continue at about the same rate for several years. The decline in numbers and in the use of horse-drawn equipment has been even greater than the decline in horse and mule numbers. Faced with labor shortages and with many new machines difficult to obtain, farmers worked their power machines more hours each year and have adapted many machines originally devised for animal power to tractor use. Use of custom machines has been greatly stimulated during the war period.

Further improvement in the farm motortruck situation in 1946 is in prospect. The 1945 production of light and medium motortrucks for civilian use is expected to be about 450,000 units, with more than half of the production available to farm users. The supply of used army trucks in 1946 will be larger than in 1945. Although there probably will not be enough truck tires to meet all requirements in the early part of 1946, they should be produced in sufficient quantites to satisfy requirements by mid-year.

A. P. Brodell, BAE

FERTILIZER

FERTILIZER supplies for crops to be harvested in 1946 are now expected to be 10 or 12 percent above the quantities used in 1945, but approximately 10 percent short of the quantities requested by the Department of Agriculture for use in the current season.

Present indications are that supplies of potash available for the 1946 season may be approximately the same as for this year. There are prospects for increases in the supply of some nitrogen materials, particularly ammonium nitrate. Supplies of certain other nitrogen materials may be smaller but it is anticipated that total nitrogen available for fertilizer will be somewhat in excess of quantities used last year.

There will likely be a substantial increase in available supplies of phosphoric acid, primarily in the form of normal superphosphate.

Transportation problems, needs for reconstruction abroad, and the extent of output of synthetic nitrogen for fertilizer use may be factors that will continue to affect fertilizer supplies available for use on 1946 crops. Continuance of the wartime practice of farmers securing fertilizer well in advance of need for the remainder of this season would tend to prevent transportation or other difficulties in obtaining supplies. It is expected that supplies will be ample for the 1947 crop.

Fertilizer consumption increased at an average rate of about 10 percent per year during the war, and more would have been used if it had been available at the time most needed. Pressure of war production has emphasized the value of fertilizer and it is expected that educational and conservation programs by State and Federal agencies will be instrumental in the use of larger quantities. Reports of State Production Adjustment Committees indicate continued increase in fertilizer use in areas and on crops that have previously been relatively light consumers.

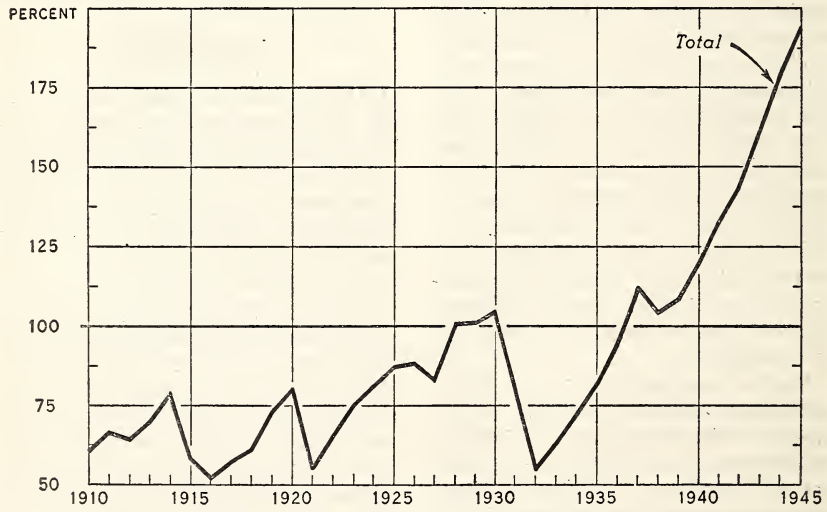
Although higher than the prewar average, prices per unit of plant nutrients have been favorable for increased use since 1941. The ratio of prices received by farmers to prices paid for commercially produced plant nutrients in 1938 through 1940 was below the average ratio for the period 1935–39.

Price ceilings have no doubt been an important factor favoring increased fertilizer use during the war period. Purchase by farmers of quantities desirable for soil fertility maintenance, and for use in a manner that will further this objective, will be facilitated by continuance of a favorable ratio between farm product prices and cost of fertilizer.

D. B. Ibach, BAE

FERTILIZER CONSUMPTION IN TERMS OF NITROGEN, PHOSPHORIC ACID, AND POTASH, CONTINENTAL UNITED STATES, 1910-45*

INDEX NUMBERS (1935-39=100)



* COMPUTED FROM DATA SUPPLIED BY P.I.S.A.E., A.A.A. AND T.V.A. DATA FOR 1945 ARE ESTIMATED

U. S. DEPARTMENT OF AGRICULTURE NEG. 43920 BUREAU OF AGRICULTURAL ECONOMICS

SEEDS

A MARKED shift from cultivated crops, so vital in the war economy, to hay and pasture crops is imminent in the reconversion period ahead. This will require more seed of legumes and grasses—particularly legumes—than were needed during the war years. There will be less demand, however, for certain seeds, such as orchard grass and meadow fescue, because sources of supply other than the United States will again become available to European countries. As supplies of legume and grass seeds become more plentiful and prices of other agricultural commodities decline, growers may well expect to receive lower seed prices, now about twice the 10-year (1930–39) average.

Although the total 1945 production of 22 clover, grass, and winter cover crop seeds, is 2 percent larger than in 1944, and 7 percent above average, supplies (current production plus carry-over) available for planting in 1946 are 5 percent smaller than a year ago (but still 18 percent above average).

Notwithstanding the 5-percent decline from last year, supplies of 16 out of 22 kinds of seed appear to be either sufficient or more than sufficient to meet the anticipated domestic sowing requirements in 1946. The kinds for which supplies are indicated to be ample for domestic requirements are red clover, timothy, redtop, orchard grass, meadow fescue, bromegrass, crested wheatgrass, vetch except hairy, blue lupine, and common and perennial ryegrass. Imports are counted on to make up any sweetclover deficiencies, and the current supply of Ladino clover, although the largest on record, may be no larger than will be needed to meet the demand which in recent years has been increasing by leaps and bounds.

The six kinds of seed apparently in short supply are alfalfa, alsike clover, white clover Kentucky bluegrass, crimson clover, and hairy vetch. It will again be necessary to import much alfalfa seed. There is little or no likelihood of materially increasing the current supplies of any of the other five kinds through imports.

G. C. EDLER, BAE

INSECTICIDES

SUPPLIES of insecticides for the 1946 crop year will be adequate or abundant with the exception of two important materials—nicotine and rotenone. In contrast to 1945 and other war years, pyrethrum will be available for agricultural use in adequate supply.

Supplies should be abundant for the standard arsenicals—lead arsenate, calcium arsenate, and paris green; the well-known fluorine compounds—cryolite, sodium fluoride, and sodium fluosilicate; the commonly used fumigants—including various forms of cyanide, methyl bromide, carbon bisulphide, and chloropicrin.

The various kinds of oils, creosote, dinitro-ortho-cresols, and similar compounds, phenothiazines, diphenylamine, tartar emetic, the mercurials, as well as the numerous kinds of wetters, spreaders, and detergents, should be in adequate supply. The same or even better applies to the standard dust diluents for insecticides.

Some of the new insecticides, as well as activators of standard materials which have been developed recently and had limited use during the past season, will be more generally available during 1946. Sulphur, copper, and the various synthetic organic fungicides and their standard diluents should be adequate and, for some materials, abundant.

Larger amounts of rotenone insecticides will be available than at any time since 1941. The season's supply of rotenone, however, will come from South America and will be appreciably less than the amount used during 1942 which amount included imports from the East Indies. Nicotine insecticides

will again be less than needed to meet average uses, and it is expected they will be the one important group of insecticides not adequate for all usual requirements.

Supplies of the chemical DDT will be freely available for use in producing DDT insecticides and many products will be on the market for 1946. It is not possible at this time to indicate all the uses to be recommended for DDT insecticides or to forecast the quantites that may be available, but it seems certain a considerable amount will be available and used.

Until the results of the experimental work of the past season are available and State and Federal agencies have issued recommendations for the use of DDT insecticides, it is not practical to estimate the effect these new materials will have on the use of various standard insecticides. It may be expected, however, that DDT insecticides will be used for some purposes and in some sections and for some pests heretofore controlled by lead, calcium arsenate, cryolite, rotenone, and pyrethrum. There is, however, no reason to believe that DDT insecticides will replace much more than 25 percent of the amounts of these materials used for any specific purpose. Various formulations of DDT will be used to combat some pests which heretofore have not been adequately controlled. But it would be a grave error for farmers or others to think that DDT insecticides will solve all insect problems, or eliminate the need for other kinds of insecticides.

S. A. Rohwer, BE&PQ

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Secretary of Agriculture Anderson says: "The financial stability of agriculture for the next 25 years will be determined in a large measure by the way farmers use their expanded wartime income. I cannot urge them too strongly to keep on saving, buying and holding United States bonds until the danger of inflation is over."

LUMBER

THE V-J day lumber cut-back in military requirements, equal to 11 billion board feet annually, is expected to more than double the lumber available for civilian construction in 1946, if production reaches at least 30 billion board feet next year, approximately the amount produced in 1945. This additional supply will permit an expected increase in residential construction which may absorb 5 billion board feet, an increase in nonresidential construction absorbing 3.5 billion and an increase in farm construction of 2.5 billion board feet. Farmers would then get a total 5 billion board feet in 1946, twice the amount available in 1945 and about what they used in 1939.

Those who expected that the V-J day cancelation meant more lumber immediately available for civilian uses have been disappointed. The canceled orders were for lumber still to be manufactured. When manufactured, the lumber will flow through normal civilian channels, but will require some time to reach the consumer. Until this new supply reaches the local dealer in sufficient quantity to start building up his low stocks, the purchaser will find difficulty getting what he needs.

Many thought lumber production in 1945 would pick up along with the arrival of peace and an accompanying easing of labor and equipment shortages. But this has not happened, mainly because of strikes and continued manpower shortages. And so production for the last 4 months of the year may show more than a seasonal decline.

The lumber industry has few reconversion problems so that production during 1946 will probably exceed that in 1945, but it may not provide for much rebuilding of stocks. Increasing difficulties in obtaining stumpage are likely to limit the expansion of lumber production. If unforeseen developments keep lumber production from

expanding as expected, or if demands for lumber increase materially, stocks will remain short. The lumber market will still be more a seller's than a buyer's market.

Lumber stocks have had to be drawn on heavily to meet wartime needs so that total stocks of both producers and distributors dropped from 17.3 billion board feet on December 31, 1941, to 6.5 billion on December 31, 1944. These stocks will have to be built up in order to effectively meet future demands. That is, production will have to provide for stocks in addition to actual consumption.

The farmer, along with many other users, is dependent upon retail distributors for lumber, but retail stocks were down to 1.82 billion board feet on July 1, 1945, compared with normal stocks of about 6½ billion board feet. The situation will improve as new supplies move into normal channels, so that the farmer will not have to take what he can get, as he has had to do in the emergency. He will get much more lumber than during the war but still must expect to have some difficulty getting seasoned stock, and special items, so long as lumber moves out of the yard as fast as it comes in.

F. H. Hallauer, *Forest Service*

FARM SUPPLIES

FARM supplies as a whole are expected to be more readily available in 1946 than they have been in 1945 or any of the war years.

The majority of building materials should be more plentiful, but in some areas it is possible that heavy demands will create temporary shortages. A wider selection of materials for construction should also be available than when wartime restrictions were in effect. The supply of metal roofing which has been consistently short during the war, is expected to increase in the coming months. The various lumber substitutes should also be more plentiful than during the past year. Supplies of plumbing and heating equipment are expected to be generally adequate to meet farm demands during 1946.

Screen wire supplies for civilian use have been short during the war, but should be sufficient to meet all farm demands in 1946. Copper wire for farmstead wiring should be available in sufficient quantity to meet the needs of an expanding rural electrification program. Construction of power lines is more likely to be limited because of inadequate supplies of poles than because of lack of other materials.

Supplies of barbed and woven wire fencing in 1946 are expected to be larger than the relatively large supplies of 1944 and 1945. Adequate supplies of nails, staples, and bale ties are expected during 1946. The supply of farm and garden hand tools and mechanics' tools should be entirely adequate.

Electric motors of all sizes should be more readily available during 1946 than they were in 1945. The industry now has production capacity adequate to take care of reconversion demands as well as normal civilian requirements. However, single phase motors will be in short supply for several months.

The production of pressure canners in 1946 will probably not exceed the 600,000 units manufactured in 1945 because that number represents practically the entire capacity of the industry. All restrictive WPB orders affecting the production of farm freezers have been removed, and it is anticipated that limited quantities will be available early in the summer of 1946. Restrictions on both tubular and immersion types of milk coolers have also been removed, and manufacturers can undoubtedly produce more in 1946 than the 15,000 units produced in 1945.

Supplies of binder twine were adequate in 1945 when inventories, new production, and imports accounted for approximately 157 million pounds. A

severe 3-month drought in Mexico has drastically reduced supplies of istle and hennequin that normally would be processed into binder twine for the 1946 season, but it is hoped that improvement of the situation in the Philippines will make it possible to offset this loss with imports of manila and sisal fibers.

W. D. McAfee, PMA

CREDIT

FARMERS generally are entering a period with greatly expanded financial reserves that should materially help in making needed production adjustments and in cushioning some of the possible economic shocks in the return to peacetime markets. At the beginning of 1946 they will have cash and bank deposits totaling 12 billion dollars or more. In addition, their holdings in war bonds will be in excess of 4 billion dollars. Furthermore, farm-mortgage debt, now forecast for January 1, 1946 at around 5 billion dollars, will be lower than at any time since 1915. The short-term debt, in relation to heavy wartime expenses, will also be at a conservative level.

Whether this relatively favorable financial situation continues during 1946 depends on many unpredictable economic factors. It appears, however, that by the beginning of next year agriculture will have passed its high point in financial liquidity. Shortages and restrictions which have curbed farm spending will largely have been eliminated. Farmers may be expected to make improvements to land and buildings, purchase new machinery, buy automobiles and acquire many furnishings and items of equipment for the home. This increase in investment in agriculture will be greatly enlarged if there is any appreciable "back to the farm" movement by returning war workers and servicemen. For some farmers the increased spending will involve using accumulated savings; for others, the incurring of indebtedness.

These disbursements will tend to retard the rapid increase in farmers' cash and bank deposits which has characterized the war period and such holdings may even decrease if expenditures on plant and equipment are substantial. War bonds, however, will likely be cashed only in event of purchase of a farm, major farm improvement or in case of an emergency. The total farm-mortgage debt will probably turn upward if there is a continuance of a large volume of farm real estate purchases at high prices, especially if surplus funds are used largely for purposes other than to reduce existing mortgages. The short-term or working-capital debt of farmers, however, may show the sharpest rise as a result of financing internal farm expansion and fulfilling the shortage of goods.

Lenders financing farmers have large amounts of loanable funds and interest rates continue at low levels. Private lending institutions are in sound condition, with sizable investments in liquid Government bonds. In addition, the Federal and federally sponsored agencies are available avenues of expanding loans to farmers in event of any possible credit stringency.

The danger during the immediate transition period appears to be one of too much credit rather than too little. Even in the present situation of a low total farm debt there are many with heavy loans. The average size of new loans—both mortgage and short-term—has continued to increase throughout the war. This trend may continue and possibly be accelerated througout 1946. With a continued high farm income, the repayment of these debts, in general, will not be difficult. But in event of a substantial decline in prices of farm products, a large number of farmers, particularly the newcomers and the low-income groups, may find themselves burdened with debts that cannot be paid out of current incomes.

N. J. Wall, BAE

LAND VALUES

DURING the coming year it is possible that some of the forces operating to increase land values may be moderated somewhat by the end of the war. Value curbing influences will come increasingly into play, but, on the whole, the stimulating forces appear sufficiently strong to dominate for at least another year. While the volume of sales may be down a little from the high levels of the past few years, a further value advance of moderate proportions is probable.

For the country as a whole, an increase in average values in the neighborhood of 5 to 10 percent may be expected during the year ahead. A rise within this range would be considerably under that of the past 2 years and far short of the increase that occurred immediately following World War I. Different regions no doubt will exhibit varying rates of changes, and possibly may develop divergent tendencies in land prices during the next year or two.

The principal forces stimulating value increases in recent years that are likely to continue during the coming year include: (1) record accumulations of savings in highly liquid form, (2) relatively high farm income levels in 1946 not greatly under those of the war years, (3) highly favorable rates of return on land investments, and (4) abundant credit available at low rates of interest. Increased buying pressure associated with the war's end may come from returning veterans and war workers. Strengthened demand from various sources may develop as a result of more limited industrial employment opportunities during reconversion, reduced incentives for maintaining savings in war bonds, and the easing of machinery and labor shortages. Inflation hedges and quick profit motives may also become more significant during the transition period of uncertainty with respect to the general price level.

Operating to curb more rapid value increases will be (1) a very moderate easing of supply because of some back-log of retirements of elderly farmers, (2) increasing realization that the number of remaining high income years arising out of the war may be limited, and (3) cautious attitudes stemming from a recollection of the World War I land boom and its consequences. Educational and informational programs by public and private agencies will strengthen these cautionary attitudes and contribute toward the development of a calculated skepticism toward land value levels that appear to be unduly dependent upon the continuation of prevailing wartime incomes and prices.

While the curbing forces appear sufficiently strong to prevent an extremely sharp rise during the next year, such as occurred after World War I, the cumulative effect of a creeping but steady rise may have ultimate serious consequences. Except for possibilities of farm prices being sustained at or above wartime levels, or substantial reductions in capitalization rates, values in many areas are already beyond the longer term levels likely to be maintained. Later readjustment problems will be further aggravated if land values continue to advance from present levels.

M. M. REGAN, BAE

Farm Family Living Prospects in 1946

WHEN farm families decide how they will spend their money next year, they will set, to an extraordinarily great degree, the pattern of their welfare for several years to come.

During the war, many farm families

had larger incomes than ever before. In spite of shortages, some of these families were able to have better clothing, better housing, and more of other things than they had been able to afford in peacetime. But for the most part, shortages curtailed their buying and they reduced their debts or increased their savings. In the last 6 years, farm real estate mortgages have been reduced about 1.5 billion dollars and farmers have increased their bank deposits, currency and war bonds from 4.3 billion dollars to about 16 billion dollars. The financial position of farm families probably will be even better at the beginning of 1946.

However, supplies of many commodities, particularly certain types of clothing and equipment, still will be far short of demand next year. Farm families could easily wipe out most of their savings if all price and rationing controls were abandoned and if they were to bid against other farm and city families for these scarce supplies. They will have to decide how much to spend next year, and how much to save for expenditure in later years. Of the amount they spend in 1946, they will have to decide among different goods (for example, clothing, automobiles, machinery, and household equipment), improvements such as electrification, medical expenditures, additional education for their children, better community facilities, and many other different classes of expenditures.

Some of the things farm families want to buy with their savings and their higher-than-usual incomes will require group action. Only by joining together with their neighbors and with other neighborhoods can they obtain hospitals where none now exist, or better schools, churches, recreation centers, electric power and telephones. As citizens, farm families help to determine State and national policies affecting levels of rural living: for example, policies pertaining to employment, price levels, social security, vocational education, and even farm tenure laws to encourage families to improve their own housing.

There are likely to be many official and unofficial budgets that will spell out the kind and quantity of food, clothing, medical and allied services and other factors of a minimum adequate standard. Congress has asked the Bureau of Labor Statistics to prepare a budget for wage earners. All budgets will include things shown by science to be needed for health. In addition, they will provide for other things essential because of custom and habit. These budgets will be used to measure progress from time to time in levels of living; to compare levels within and among communities, as a basis for determining minimum wages, pensions, and relief allowances; to estimate the potential market for various products if everyone had at least the minimum standard. They also have a place in helping families to set goals for their own living and to choose wisely in using their resources.

Ideas about minimum standards, about things needed for various levels of adequacy, seem certain to become increasingly important in public policy. For example, the concept of minimum food requirements and farm housing programs will undoubtedly be carried out in terms of a "minimum" standard. Because of their increasing importance, discussion of these concepts at the "grass roots" is needed. Such discussion will contribute to the formulation of sound workable standards for national, State and local policies. Furthermore, a discussion of adequate standards for food, housing, health services, clothing and other things provides an excellent means of disseminating facts about adequate levels of living and ways in which farm families might help themselves or join with other families to get conditions in which higher standards are more probable.

MARGARET G. REID, *Bureau of Human Nutrition & Home Economics*

FARM FAMILY INCOMES

THE incomes of farm families as a whole are continuing at a very high level. Realized net income to farm operators from agriculture and Government payments probably will amount to nearly 13 billion dollars in 1945, or 3 percent above the net income of 12.6 billion dollars in 1944. In 1946, net income may decline to about 11 billion dollars. Net income represents the amount remaining to farm operators after production expenses, including maintenance and depreciation on capital investments, are subtracted from gross farm income. In addition to money income, it includes nonmoney income in the form of food and fuel raised on the farm and used by the farm family, as well as net rental value of farm dwellings.

Net cash available to farm operators after cash expenses will amount to about 10.3 billion dollars in 1945, compared with 10.1 billion dollars in 1944. Net cash available to farm operators may drop to somewhat over 8 billion dollars in 1946, reflecting the sizable expenditures on buildings and machinery which are anticipated for next year.

In addition to their net cash available from agricultural operations, farmers will have in the neighborhood of 4 billion dollars of nonagricultural income in 1945. Moreover, they have large amounts of savings to draw on. On January 1, 1945, bank deposits plus currency held by farmers totaled 11.6 billion dollars, about one-fifth more than on January 1, 1944. By January 1, 1946, this total may be up to about 12 billion dollars. In addition, United States savings bonds in excess of 4 billion dollars probably will be held by farmers on January 1, 1946. With some reduction in income taxes in prospect for 1946, the amount of cash available to farmers for family living in 1946 may be nearly as great as in 1945.

This generally favorable situation for 1946 means that many farm families will be in a position where they can install electricity, make major improvements in their homes and other farm buildings, and obtain new equipment. More families than ever before will be thinking of a college education for their children. Though incomes in general are good, they are not uniformly high, and in some States they are still very low.

H. C. NORCROSS, BAE

FOOD FOR HOME USE

HOME food production and preservation will continue to provide the major part of the farm family's food in 1946. However, with the wartime pressure removed, there is bound to be some decline in the volume of food grown and preserved for home use. This will be particularly true of farm families in higher income groups. For low-income families, home food production and preservation provide the only way of obtaining even a minimum adequate diet.

For all rural families, home-produced food will continue to pay dividends in better nutrition and cash savings. In most regions home-produced foods such as fresh eggs, milk, butter, meat, and a variety of vegetables and fruits supply the protective vitamins and minerals so necessary for good diets. In the spring of 1942, home-produced food furnished farm families with three-fourths of the calcium, vitamin A and riboflavin consumed, and about half of the other dietary essentials. A much higher percentage of farm than urban families had good diets. Furthermore, there was a difference averaging $4 per family per week between farm-furnished food consumed valued (1) at farm prices and (2) at prices paid by those farm families who bought rather than raised.

Food preservation and storage will continue to be important if families are to have satisfactory year-round diets. There will probably be rapid

developments in group enterprises to preserve food more efficiently. In recent years, community canning centers have proved very successful in many localities. During the war the number of frozen food locker plants increased in spite of shortage of construction materials, with considerable increases occurring along the Eastern Seaboard and in the South. A further increase of considerable magnitude is expected in the years ahead. With the extension of electric power, many more rural families will probably build or buy home freezing units.

In March 1945 one out of every four school children in the United States was receiving lunch at school, and in 1946 the school lunch will expand to many more communities. But from the number of applications already received it appears that the demand for assistance may exceed the funds available. It is probable that more rural schools can participate in this program as more kitchen equipment becomes available and as consolidation of rural schools increases.

FAITH CLARK, BHN&HE

HOUSING AND HOME EQUIPMENT

WITH farmers expected to get about 5 billion board feet of lumber, twice the amount available in 1945 and about what they used in 1939, they could build around 140,000 new houses in 1946, compared with probably only 60,000 in 1945. In addition, the supply of other building materials, as well as plumbing, heating and similar equipment, is expected to be generally adequate to meet farm demands next year though there may be temporary shortages in some areas in the next few months. This should be a further stimulus for new farm home construction even though lumber supplies will not be fully adequate for many months to come.

Surveys in recent years reveal a widespread interest in rural home improvement. A survey made a year ago reports that one in every twelve farm families intended to build or buy a new house when restrictions were lifted. And a larger number of rural families are epected to repair or remodel old houses.

The rural electrification program has gone far toward bringing electricity to the farmer, but in other respects farm construction has not kept pace with modernizing of urban structures. The situation is emphasized by comparison of farm housing with urban housing as to sanitary facilities, equipment, state of repair, and overcrowding.

Houses constructed from now on for some time will, in all probability, cost considerably more than before the war because of increased material and labor costs.

Electrification

Nearly a half million strictly rural dwelling units, now unserved, are expected to be supplied with electric power during 1946, probably the greatest number in any 1 year. Of the 5⅓ million rural homes now without electricity, nearly 3⅔ million probably will be connected in the next 5 years. More than a billion dollars and 521,000 man-years of direct and indirect labor will be needed to get these lines built. Private utilities, REA-financed cooperatives, and public agencies all are expected to have a part in this development.

For itself alone, REA had laid out a 3-year program by which it expects to bring electric service to 1,300,000 rural families—about as many as it has connected from the beginning of its existence until now. It is expected that REA-financed cooperatives will borrow and use $579,000,000 to construct the lines and facilities for this expansion.

Home Equipment

Raw materials for most household furnishings and equipment are abundant, but the availability of the fin-

ished products in 1946 depend mainly on the ability of manufacturers to produce enough to build up stocks in retail outlets. Small articles, such as electric irons, alarm clocks, and aluminum utensils, are already available in limited quantities, and may be fairly plentiful in early 1946. But manufacture of the larger articles, including electric washing machines and refrigerators, is somewhat slower because of the amount of material and labor required to make them. Production of civilian articles in general is expected to surpass the prewar rate by the end of 1946.

Even with a high rate of manufacture it will take a long time to satisfy the pent-up demand for household appliances. Many wishing to buy will have to wait, but those who wait may benefit from later improvements in designs.

It is probable that the price of most household equipment will be slightly higher than before the war.

EMMA G. HOLMES, BHN&HE

CLOTHING

EXTREME shortages of most clothing should disappear in 6 months. As clothing supplies increase, considerable improvement in quality of many lines may be expected. Prices in the immediate future will depend on whether or not price ceilings are relaxed.

Cutbacks in military orders for woolen, worsted and rayon fabrics late this summer made it possible for manufacturers to start work on increased supplies of civilian overcoats, men's suits, rayon dresses, rayon underwear and other articles. These garments should begin to appear in retail stores in some volume between November and January, and cotton apparel should become more plentiful a few months later. Essential clothing for children and workers, particularly in the low-price lines, is expected to become more plentiful. More leather shoes for civilians will be manufactured in the coming months as a result of military cutbacks, and more and better footwear is already on the market. Production will increase as more labor becomes available.

RITA J. HOLMES, BHN&HE

AUTOMOBILES

RESUMPTION of automobile production for civilian use in the latter part of 1945 is expected to result in an output of nearly a quarter of a million new cars by the end of this year. In 1946 the automobile industry hopes to reach an annual production rate of 4 to 5 million cars. But it may be a year or two before a new car will be available to everyone wanting to buy one. Cars were scrapped during the war at the rate of 4,000 a day, which is roughly 5¾ million for the 4 years from the beginning of 1942 through the end of 1945. Add to this the large number which will be scrapped in the coming year and it becomes apparent that it will be some time before new production will offset these scrapped cars.

Although dealers may give preference to persons showing essential need for some months ahead in the purchase of new automobiles, an appreciable proportion of the 1946 production is expected to be available in rural areas.

The 1946 cars will be as good quality as prewar models, but there will be fewer styles to choose from than in the past. New models will have a few body changes over the 1942 cars, a little different interior design and some engine changes. The new cars may cost about the same as new ones did in early 1942, when price ceilings were established. Prices at that time were 15 to 20 percent more than equivalent models in 1941.

A large proportion of passenger car tires will be synthetic, at least till crude rubber imports are resumed in

some volume. Although the supply of new passenger car tires will not be adequate to meet all requirements in early 1946, production by the middle of the year should be sufficient to satisfy most needs.

RITA J. HOLMES, BHN&HE

EDUCATION

CHANCES are strong that by next fall the quality of teaching in rural schools will be much improved over that of the war. The wartime shortage of teachers is expected to be eased considerably in the coming year, but the extent to which it is will depend in large measure on the salaries offered in comparison with industrial and business opportunities in urban areas. Partial or complete return to prewar standards in granting teachers' permits, temporarily relaxed during the war, should help improve the quality of education given rural children.

Consolidation and reduction in the number of one-room schools is expected to continue at an accelerated pace during 1946 and the years immediately ahead. As building materials and labor become available there will probably be more and more construction of multiple-room school buildings under public works programs. And as new school buses become available and highways are improved, better transportation to schools is bound to follow.

Veterans

Educational opportunities for rural veterans in 1946 will be much improved over those available in the last year or so. This will be particularly true for rural veterans seeking pre-college educational benefits. For those entering or returning to college there will be ample opportunities in the various agricultural colleges or general universities, as in the past. But for those who have not finished grade school or high school, a Nation-wide program, sponsored by several State and Federal agencies and soon to be put into effect, is designed to meet their needs. Because most of these veterans do not want to go back to school with younger students, this program will enable them to finish their primary education so that they may go on to college later if they so desire. These veterans will be able to live and work on the farm while receiving supervision and instruction from vocational educational personnel. Vocational teachers will spend a specific number of hours in training individual veterans right where they are, on the farms. In adidtion, supplementary class instruction will be provided at central locations in their own communities. Local advisory committees will make sure the instruction meets the test of judgment of both dirt farmers and trained professional people. It is hoped that this program will help many rural veterans, not now being served, to exercise their privileges under the GI bill of rights.

E. A. SCHULER, BAE.

RURAL HEALTH

RURAL health facilities in 1946 will continue to be very scarce. Inadequate before the war in many rural areas, the condition was aggravated by the draft of many rural doctors, dentists, nurses, and sanitary engineers into the armed forces during the past 3 to 4 years. Prospects of the situation improving now that the war is over are not encouraging. Doctors, dentists, and nurses are not being released from the service as rapidly as some hoped; many doctors who are released are going to school for refresher courses, and many doctors are not returning to their former rural communities but to urban areas where they find the prospective income more attractive and facilities more adequate.

The need for a health program has long been recognized in America's rural communities and beginnings have been made. Many county hospitals

have been built, public health units have been established, hospital insurance has expanded. Cooperative associations have built hospitals, that serve as health centers, and provide salaries sufficient to attract competent doctors, dentists, nurses, and technicians. Prepayment plans have been tried both by public and private agencies.

The shortage of health services during the war and the widespread defects indicated by the physical examinations under the Selective Service Act, under which about a third of the men from rural areas were rejected, have increased the desire to have adequate health services within the reach of all rural families. But there seems little likelihood of much progress unless leaders in communities take stock of their own situation to determine the cause for the shortcomings of their health facilities.

Right now the presence of community committees may prove to be a major advantage. There are surplus supplies of medical, dental, and hospital equipment that can be secured at low cost by communities prepared to take advantage of them. Organization to do so may be the starting point of a larger effort. The immediate postwar period offers a unique opportunity to rural America to work out an organized effort to assure distribution of these surplus materials, but it will require mobilization of rural community action on a very broad scale.

Construction of modern rural hospital and health centers is a prerequisite to attracting and distributing health personnel and to assuring a high quality of health services. An expanded public health program must go hand in hand with this construction program if preventable diseases are to be markedly reduced. A social security program, to include health insurance, covering rural groups who are now excluded, would aid in securing and maintaining needed health facilities and services in rural areas.

K. E. Pohlmann, FSA

FARM POPULATION

THE farm population comes out of the war not only lesser in numbers than before the war, but also with a different age composition than it has ever had. Between 1940 and 1945, the number of persons living on farms decreased by 5 million or more than 15 percent. This decrease was heavily concentrated in the middle age groups, particularly among men. During the period 1940–44 there was a loss of 40 percent in the number of males between 14 and 24, and a drop of over 20 percent in the number between 25 and 44, but the number of persons 45 years and older remained about the same.

Population adjustments are to be expected in the immediate future. Some demobilized service men and industrial workers will return to agriculture. This is likely to bring back a relatively large proportion of males in the middle age group, a reversal of the trend during the war. How many will return depends largely upon employment opportunities. Migration out of and to a lesser extent into agriculture responds sensitively to economic opportunities elsewhere. If, therefore, nonfarm opportunities are on a high level in the next several months, relatively few veterans and civilians now in industry will return to farms. If widespread unemployment exists there will probably be considerable shift of people to farms.

Shifting to nonfarm jobs or combining them with farming has been an important means of raising the level of living of farm families. The amount of nonfarm work done by farm operators during 1943 was 36 percent greater than in 1939, while the wage income from such work increased by a much greater percentage.

C. C. Taylor, BAE

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If you invest enough in Victory bonds to pay for 3 years of college for a child, Uncle Sam will pay for the fourth year. Victory bonds in 10 years pay $4 for every three invested.

Year and month	Industrial production (1935–39 =100)[1]	Income of industrial workers (1935–39 =100)[2]	1910–14=100				Index of prices received by farmers (August 1909–July 1914=100)			
			Wholesale prices of all commodities[3]	Prices paid by farmers			Livestock and products			
				Commodities	Commodities interest and taxes	Farm wage rates	Dairy products	Poultry and eggs	Meat animals	All livestock
1910–14 average	58	50	100	100	100	100	100	101	101	101
1915–19 average	72	90	158	151	150	148	148	154	163	158
1920–24 average	75	122	160	161	173	178	159	163	123	142
1925–29 average	98	129	143	155	168	179	160	155	148	154
1930–34 average	74	78	107	122	135	115	105	94	85	93
1935–39 average	100	100	118	125	128	118	119	109	119	117
1940–44 average	192	234	139	150	148	212	162	146	171	164
1941	162	169	127	131	132	154	139	121	146	140
1942	199	241	144	152	150	201	162	151	188	173
1943	239	322	151	167	162	264	193	190	209	200
1944	235	329	152	176	170	315	198	174	200	194
1944—October	232	326	152	176	170	325	201	190	201	199
November	232	321	152	177	171	---	203	207	200	202
December	232	326	153	178	171	---	203	211	198	202
1945—January	234	326	153	179	172	324	202	199	203	202
February	236	324	154	179	172	---	200	183	209	201
March	235	322	154	180	173	---	198	175	211	200
April	230	314	154	180	173	335	194	176	215	201
May	226	302	155	180	173	---	192	179	217	202
June	220	301	155	180	173	340	191	189	216	203
July	211	286	155	180	173	362	192	197	215	205
August	[4] 187	261	154	180	173	---	195	207	212	206
September	172	---	154	181	174	---	197	201	207	203
October	---	---	---	182	175	355	199	204	202	202

Year and month	Index of prices received by farmers (August 1909–July 1914=100)									Parity ratio[5]
	Crops								All crops and livestock	
	Food grains	Feed grains and hay	Tobacco	Cotton	Oil bearing crops	Fruit	Truck crops	All crops		
1910–14 average	100	101	102	96	98	99	---	99	100	100
1915–19 average	193	164	187	168	187	125	---	168	162	106
1920–24 average	147	126	192	189	149	148	[6] 143	160	151	86
1925–29 average	140	119	172	145	129	141	140	143	149	89
1930–34 average	70	76	119	74	72	94	106	86	90	66
1935–39 average	94	95	175	83	106	83	102	97	107	84
1940–44 average	123	119	245	131	159	133	172	143	154	103
1941	97	89	159	107	130	85	129	106	124	94
1942	120	111	252	149	172	114	163	142	159	106
1943	148	147	325	160	190	179	245	183	192	119
1944	165	166	354	164	209	215	212	194	195	115
1944—October	164	161	357	171	211	205	153	187	194	114
November	165	157	368	168	215	195	188	189	196	115
December	167	160	364	168	215	206	228	196	200	117
1945—January	169	163	365	163	214	205	262	200	201	117
February	169	164	360	161	215	211	223	197	199	116
March	171	166	359	163	215	211	203	196	198	114
April	172	162	362	163	215	221	259	204	203	117
May	172	161	363	165	216	227	193	198	200	116
June	173	162	364	169	217	237	269	210	206	119
July	169	161	364	171	221	237	244	207	206	119
August	167	158	367	172	215	214	240	202	204	118
September	167	157	365	175	213	217	159	191	197	113
October	175	160	373	180	210	219	181	196	199	114

[1] Federal Reserve Board, adjusted for seasonal variation, revised November 1943.
[2] Total income adjusted for seasonal variation, revised September 1945.
[3] Bureau of Labor Statistics.
[4] Revised.
[5] Ratio of prices received by farmers to prices paid, interest, and taxes.
[6] 1924 only.

NOTE.—The index numbers of industrial production and of industrial workers' income, shown above, are not comparable in several respects. The production index includes only mining and manufacturing; the income index also includes transportation. The production index is intended to measure volume, whereas the income index is affected by wage rates as well as by time worked. There is usually a time lag between changes in volume of production and workers' income since output can be increased or decreased to some extent without much change in the number of workers.

U. S. GOVERNMENT PRINTING OFFICE: 1945